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INTERPROVINCIAL PIPE LINE COMPANY

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Submission to

THE ROYAL COMMISSION ON ENERGY

concerning

THE HISTORY, DEVELOPMENT AND REGULATION

of

TRANSPORTATION OF CRUDE PETROLEUM BY PIPE LINES

BETWEEN PROVINCES

OR FROM CANADA TO ANOTHER COUNTRY



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INTRODUCTION

This submission has been prepared by Interprovincial Pipe Line Company with the object of providing the Commission with all relevant information concerning the organization, economics, and method of operation of the first oil pipe line company to construct a pipe line subsequent to the enactment of The Pipe Lines Act of Canada. Apart from certain comments as to the relevant legislation, and as to regulation and future economic aspects, and certain recommendations, it is presented in the form of a factual statement of the various phases of the Company's activities since its incorporation in 1949. Interprovincial Pipe Line Company and its connecting carriers provide the only pipe line outlet to Eastern Canada for Western Canadian crude, while the Trans Mountain Oil Pipe Line Company's system furnishes a similar outlet to the west coast.

Bearing in mind the terms of reference of the Order-in-Council which established the Commission, this brief will review the problems involved in crude oil transportation in the light of this Company's experience under the following headings:

SUMMARY OF THE NATURE AND SCOPE OF THE COMPANY'S BUSINESS

OIL PIPE LINES AND PIPE LINE LEGISLATION IN CANADA

CORPORATE SET-UP AND POWERS

Incorporation by Special Act

Jurisdiction of the Board of Transport Commissioners for Canada

Subsidiary companies in the United States

HISTORICAL REVIEW OF THE COMPANY'S CONSTRUCTION OF PIPE LINES AND FACILITIES

Initial construction program

ENGINEERING

RIGHTS-OF-WAY

CONSTRUCTION

Exportation of Power and Fluids and Importation of Gas Act

The Board of Transport Commissioners for Canada—Applications for leave to construct and approval of route

Progressive expansion of the pipe line system and facilities

BEFORE 1951 CONSTRUCTION

1951 AND 1952 CONSTRUCTION

1953 CONSTRUCTION

1954 CONSTRUCTION

1955 AND 1956 CONSTRUCTION

1957 CONSTRUCTION

GENERAL

OPERATIONS

- Receipt of oil
- Delivery of oil
- Main line operation
- Dispatching
- Communications
- Mechanical maintenance
- Pipe line maintenance
- Line fill
- Power to move oil
- Personnel
- Crossing international boundaries
- The difference in the approach to transmission of gas and oil and the reasons therefor

FINANCIAL STRUCTURE AND HISTORY

- Original financing
- 1953 financing
- 1954 financing
- Capitalization as at December 31, 1957
- Operating statements 1951-1957 (inc.)
- Capital stock—principal shareholders and distribution as at December 31, 1957
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- Tariff structure and history
 - ESTABLISHMENT OF FIRST TARIFF RATES
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 - TARIFF RATES PRESENTLY IN EFFECT
 - JOINT TARIFFS WITH OTHER CARRIERS
 - TARIFF SCHEDULES
 - COMPLAINT OF INTERNATIONAL REFINERIES, INC.

- The advisability of producing and refining companies owning shares in crude oil transmission pipe lines

PROSPECTS FOR EXTENSION TO MONTREAL MARKET

THE IMPACT OF TAXATION AND ENCOURAGEMENT REQUIRED FOR INCENTIVE

SUMMARY OF THE NATURE AND SCOPE OF THE COMPANY'S BUSINESS

Interprovincial Pipe Line Company (Interprovincial) was incorporated by Special Act of the Parliament of Canada (C. 34, 13 Geo. VI) which received Royal Assent on April 30, 1949. All of its corporate officers and eight of the nine members of the Board of Directors are Canadian citizens resident in Canada. The ninth director, a citizen of the United States of America, also resides in Canada.

The Company was formed for the purpose of constructing and operating a crude oil pipe line system to provide an eastern outlet for crude petroleum which had recently been discovered in the Leduc and Redwater fields in the Province of Alberta.

Since a considerable portion of its pipe line system was to be located in the United States it was deemed advisable to incorporate a United States subsidiary company to own and operate that portion of the pipe line. Accordingly Lakehead Pipe Line Company, Inc. (Lakehead), a Delaware corporation, was incorporated on August 29, 1949 and is a wholly owned subsidiary of the Company. The chief corporate officers and the members of the Board of Directors of Lakehead are the same as those of Interprovincial.

Interprovincial operates as a common carrier and is engaged exclusively in the transportation of crude petroleum at established tariffs.

Lakehead operates its pipe line as an interstate common carrier for the transportation of crude oil and petroleum within the meaning of the Interstate Commerce Act of the United States of America. Under that Act the Interstate Commerce Commission has regulatory authority over the rates, regulations and other practices of common carrier oil pipe lines.

Throughout the remainder of this section and where applicable throughout this submission reference to "the Company" will include both Interprovincial and Lakehead, and reference to "the pipe line system" will include the pipe line in both Canada and the United States.

In the year 1950, the Company constructed a large diameter pipe line from a point in the vicinity of Edmonton, Alberta, to Superior, Wisconsin, a port on Lake Superior. This pipe line, with an extension to Redwater, Alberta was 1,129 miles long, and the whole system, with essential facilities, was in operation by December, 1950.

During 1951, the first full year of operation, the Company delivered some thirty million barrels* of crude oil to various points in Western Canada and to the Lakehead area in the United States. By far the greater part of the latter deliveries were for lake tanker shipments to Sarnia, Ontario.

In the years between 1950 and 1957, new oil fields have been found in Alberta and large reserves of oil have been discovered and developed in Saskatchewan and Manitoba. To keep pace with the rising volume of production and the increasing markets in Ontario and the United States, Interprovincial has enlarged and improved its system from year to year. A detailed review of this continuous development will be presented; the end result up to the present may be summarized as follows:

As of December 31, 1957, the Company's pipe line system extends from Redwater, in the vicinity of Edmonton, Alberta, to Port Credit in the vicinity of Toronto, Ontario, a distance of 1,930 miles. It is the longest crude oil pipe line in the world. In addition, to increase its carrying capacity, it has constructed parallel lines or "loops" on its existing right-of-way for a total of 1,116 miles. The aggregate length of pipe in use is therefore 3,046 miles. The system's continuous right-of-way traverses, from west to east, the Provinces of Alberta, Saskatchewan and Manitoba, the States of North Dakota, Minnesota, Wisconsin and Michigan and finally terminates in the Province of Ontario. Attached hereto as Appendix "A" is a map showing the general route of the pipe line. It is of interest to note its proximity to such major refining and marketing areas as Toledo, Ohio and Detroit, Michigan.

*42 U.S. Gallons

The following tabulation shows the length of pipe of varying diameters in use throughout the system.

<u>Outside Diameter</u>	<u>Miles</u>
16 "	428
18 "	363
20 "	594
24 "	690
26 "	326
30 "	645
	<u>3,046</u>

The volume of oil required to completely fill the pipe line system (line fill) is approximately 8,000,000 barrels.

There are 18 pumping stations in operation, and 82 storage tanks with a total capacity of 7,319,000 barrels.

The Company owns 102 dwelling houses which are rented to certain of its employees in locations where normal housing is not available.

The maximum pumping capacities (on a year round basis) out of the various pumping stations at the end of the 1957 construction program were as follows:

Edmonton, Alberta - - - - -	235,000 barrels per day (b/d)
Regina, Saskatchewan - - - - -	281,600
Cromer, Manitoba - - - - -	326,500
Gretna, Manitoba - - - - -	352,400
Clearbrook, Minnesota - - - - -	345,900
Superior, Wisconsin - - - - -	232,000
Sarnia, Ontario - - - - -	109,000

The following table compares crude oil deliveries in 1951 and 1957 and indicates the growth of the Company's operations.

(Expressed in Millions of Barrels)

	<u>1957</u>	<u>1951</u>
Western Canada - - - - -	33.7	15.6
U.S. Refineries - - - - -	20.7	.4
For tankers - - - - -	4.1	14
Eastern Canada - - - - -	41.4	—
	<u>99.9</u>	<u>30</u>

The financial history and present financial status of the Company will be reviewed in detail, but to give a general picture of the extent of the enterprise, the following figures are presented:

As of December 31, 1957, with comparison for 1951.

	<u>1957</u>	<u>1951</u>
Investment in fixed assets - - -	\$256,966,324	\$80,167,500
Operating Revenue - - - - -	41,128,761	14,125,870
Net Income - - - - -	9,544,661	3,352,706

The Interprovincial system is connected with the following gathering and/or transmission pipe lines and receives deliveries from them at the points indicated:

B-A Alberta Pipe Line Limited	Redwater, Alberta
Britamoil Pipe Line Company Limited	Edmonton, Alberta
Edmonton Pipe Line Company Limited	Edmonton, Alberta
Imperial Pipe Line Company Limited	Redwater, Excelsior and Edmonton, Alberta
Pembina Pipe Line Ltd.	Edmonton, Alberta
Gibson Crude Oil Purchasing Co. Ltd.	Hardisty, Alberta
Mid-Saskatchewan Pipe Lines Ltd.	Kerrobert, Saskatchewan
South Saskatchewan Pipe Line Company	Regina, Saskatchewan
Trans-Prairie Pipelines, Ltd.	Cromer, Manitoba
Westspur Pipe Line Company	Cromer, Manitoba

and is connected with the following pipe lines and delivers crude oil to them at the points indicated:

Trans Mountain Oil Pipe Line Company	Edmonton, Alberta
Saskatoon Pipe Line Limited	Milden, Saskatchewan
B-A Saskatchewan Pipe Line Limited	Stoney Beach, Saskatchewan
Anglo-Canadian Oils Limited	Souris, Manitoba
Winnipeg Pipe Line Co. Ltd.	Gretna, Manitoba
Minnesota Pipe Line Company	Clearbrook, Minnesota
Michigan-Ohio Pipe Line Corporation	Bay City, Michigan
Bay Pipe Line Corporation	Bay City, Michigan

The Interprovincial system either directly or in conjunction with its connecting carriers transports Western Canadian crude oil to refineries located at:

Saskatoon, Moose Jaw, and Regina in the Province of Saskatchewan
Brandon and Winnipeg in the Province of Manitoba
St. Paul-Minneapolis area and Wrenshall in the State of Minnesota
Superior in the State of Wisconsin
West Branch, Bay City and Midland in the State of Michigan
and
Sarnia, Clarkson and Port Credit in the Province of Ontario.

OIL PIPE LINES AND PIPE LINE LEGISLATION IN CANADA

The transportation of crude petroleum from oil fields to refineries is an important and specialized branch of the petroleum industry. The most economic means of transporting petroleum over land is by pipe line, and this method has been used in the United States and other oil producing countries for many years. Oil pipe lines have also been in use in several of the Provinces of Canada, but until the discovery of large reserves in Alberta there was insufficient production of crude oil in Canada to justify transportation by pipe line from one province to another, and there was no Federal legislation dealing with the matter. In February, 1947 Imperial Oil Limited brought in the Leduc field in the vicinity of Edmonton, Alberta. This successful outcome of a prolonged search for oil in the Prairie Provinces was soon followed by discoveries of additional fields in the Edmonton area.

These discoveries by Imperial and others soon made it apparent that oil reserves in Alberta were more than sufficient to supply that Province, and a study carried out in 1948 indicated that a pipe line to Regina, and possibly to the head of the Great Lakes, would provide an outlet for this surplus crude oil and would be a sound economic project. In the latter part of 1948 representations were made to the Federal Government requesting such legislation as would be appropriate to authorize and regulate the construction and operation of pipe lines connecting one province with another and crossing the international border. Such legislation appeared necessary because a pipe line, like a railway, requires a continuous right-of-way over lands owned by many individuals and corporations whose property rights are affected, and again like a railway, a pipe line must cross rivers, provincial and municipal highways and utility lines of every description. Therefore, unless pipe lines connecting one province with any other or others were placed under exclusive Federal jurisdiction it seemed obvious that the construction and operation of such lines could be restricted or even prevented by the legislative action of any one province.

Although undoubtedly empowered to do so under the terms of the British North America Act, the Federal Government had never had occasion to enter this particular legislative field. The only Provincial precedents for similar legislation consisted of The Pipe Lines Acts of Alberta and Saskatchewan. There was also a considerable body of statute law governing pipe lines in a number of jurisdictions in the United States. None of these statutes, however, was appropriate for Federal legislation.

In these circumstances it is not surprising that those charged with drafting the proposed legislation patterned the new act to a considerable extent after the Railway Act. It was obvious that there are fundamental differences between railways and pipe lines as to operating conditions and methods, financial structure, physical facilities and the basis for tariff rates but it was just as obvious that an extra-provincial pipe line system crossing the continent has much in common with our transcontinental railway systems. Another good reason for having the proposed new legislation correspond in some measure with the existing railway legislation was the country's long experience with railways and its complete unfamiliarity with pipe lines.

The Pipe Lines Act of Canada (R.S.C. 1952, C. 211) received Royal Assent on April 30, 1949, and in the final result is patterned to a considerable extent after the Railway Act. A number of sections of the Railway Act are incorporated into The Pipe Lines Act by reference and many sections of The Pipe Lines Act are adapted from similar sections of the Railway Act. Under The Pipe Lines Act pipe lines are subject to the jurisdiction of the same regulatory body as railways, namely the Board of Transport Commissioners for Canada.

Prior to the enactment of The Pipe Lines Act the Federal Government, perhaps being influenced by railway experience and procedures, had adopted a policy whereby applicants for incorporation of interprovincial pipe line companies would be required to incorporate by a Special Act of Parliament.

rather than by letters patent. This policy was carried into The Pipe Lines Act by Section 2, the Interpretation Section, which provides:

“2(b) ‘company’ means a person having authority under a Special Act to construct or operate pipe lines for the transportation of oil or gas;”

By an amendment passed in 1953 (2-3 Eliz. II, C. 7) it is now provided:

“10A. No person, other than a person having authority under a Special Act to construct or operate pipe lines for the transportation of oil or gas, shall construct or operate an extra-provincial pipe line, but nothing in this section shall be construed to prohibit or prevent any person from operating or improving an extra-provincial pipe line constructed before the 1st day of October, 1953.”

CORPORATE SET-UP AND POWERS

Incorporation by Special Act

The Special Act incorporating Interprovincial Pipe Line Company (C. 34, 13 Geo. VI) came into force on April 30, 1949. The Company, by Section 5, is vested with "all the powers, privileges and immunities conferred by, and (shall) be subject to all the limitations, liabilities and provisions of any general legislation relating to pipe lines for the transportation of oil" enacted by Parliament. By Section 6(a) the Company, subject to such limitations and provisions, may—

"within or outside Canada construct, purchase, lease, or otherwise acquire, and hold, develop, operate, maintain, control, lease, mortgage, create liens upon, sell, convey, or otherwise dispose of and turn to account any and all interprovincial and/or international pipe lines, for the transportation of oil including pumping stations, terminals, storage tanks or reservoirs and all works relative thereto for use in connection with the said pipe lines;"

By Section 6(c) the Company is authorized to exercise as ancillary and incidental to the purposes and objects set forth in the Special Act, subject to any express exclusions, the powers set forth in paragraphs (a) to (bb) inclusive of Subsection (1) of Section 14 of the Companies Act, 1934, (now R.S.C. 1952, C. 53). The provisions of the Companies Act so incorporated include the ancillary and incidental powers conferred by that statute on companies incorporated by Letters Patent.

The Pipe Lines Act, by Section 3(a) thereof, is to be construed as incorporate with the Special Act and by paragraph (b) where the provisions of both Acts relate to the same subject-matter, those of the Special Act, so far as necessary to give effect to that Act, are to be taken to override the provisions of the general Act.

Interprovincial's pipe line system extends into the United States near Gretna, Manitoba, and from there transports crude oil to and across the international boundary near Sarnia, Ontario. Complementary to the general powers conferred by the Special Act, The Pipe Lines Act confers specific power to extend its operation outside Canada as follows:

By Section 7 a Company, for the purpose of its undertaking, but subject to the provisions of the Act and the Special Act, may—

"(d) join its line with the pipe line of any other person at any points on its route."

By Section 9—

"A Company operating a company pipe line from a place in Canada to a place on the international boundary line may exercise, beyond such boundary, in so far as permitted by the laws there in force, the powers that it may exercise in Canada."

It will be seen from the above that Parliament specifically contemplated the extension of the operations of pipe line companies into the United States.

Extensive powers are conferred by The Pipe Lines Act upon a Company authorized by a Special Act to construct and operate pipe lines. For instance, under Section 7, such a Company may enter upon and survey lands lying in the intended route and construct its pipe line across the land of any person on the located line. However, the exercise of the right to construct and other powers, including the right to cross highways, railways, utility lines, etc. are subject to the prior approval of the Board of Transport Commissioners for Canada.

Jurisdiction of the Board of Transport Commissioners for Canada

The wide jurisdiction and authority conferred on the Board of Transport Commissioners by the Railway Act (R.S.C. 1952, C. 234) is incorporated into The Pipe Lines Act as follows:

"4. The provisions of the Railway Act relating to sittings of the Board and the disposal of business, witnesses and evidence, practice and procedure, orders and decisions of the Board and appeal therefrom to the Supreme Court of Canada are applicable with respect to every inquiry, complaint, application or other proceeding under this Act, and the Board shall exercise and enjoy the same jurisdiction, powers and authority in matters under this Act as are vested in the Board by the Railway Act."

The terms of reference contained in the Order-in-Council establishing the Royal Commission include the power, inter alia, to inquire into and make recommendations concerning:

"(b) the problems involved in . . . the regulation of prices or rates to be charged or paid, the financial structure and control of pipe line corporations in relation to the setting of proper prices or charges, and all such other matters as it is necessary to enquire into and report upon, in order to ensure the efficient and economical operation of pipelines in the national interest;"

and

"(c) the extent of authority that might best be conferred on a National Energy Board to administer . . . such aspects of energy policy . . . as it may be desirable to entrust to such a Board, together with the character of administration and procedure that might best be established for such a Board;"

It may be of some interest and assistance, therefore, to review the authority conferred by The Pipe Lines Act upon the Board of Transport Commissioners for Canada.

A brief perusal of the Statute will make it apparent that there are few projects affecting public or private interests undertaken by a pipe line company that are not subject to the prior approval of the Board. In the following review some pertinent provisions of the Statute will be referred to in order to illustrate the jurisdiction of the Board and its practice in exercising such jurisdiction.

A company may not begin construction of a pipe line until an Order granting leave to construct is obtained from the Board. (Section 11(a)). When such leave is granted it refers only to the general location of the proposed pipe line and its termini (Section 12(1)), and before beginning construction the Company must submit to the Board plans, profiles and books of reference showing the detailed route of the line and apply for the Board's approval thereof. (Section 11(b)). The administrative methods and procedures followed by the Board in discharging its duties under the above sections will be discussed later under the title "Historical Review of the Company's Construction of Pipe Lines and Facilities".

Even when the Board has approved the plans, profiles and books of reference the Company may not begin construction until,

"copies of the plan, profile and book of reference so approved, duly certified as such by the Secretary of the Board, have been deposited in the offices of the registrars of deeds for the districts or counties through which such section or part of the company pipe line is to pass." (Section 11(c)).

The normal right-of-way required for a large diameter pipe line is 60 feet in width. This usually provides ample space for construction and operation and leaves room for installation of additional lines if they are required. Under the provisions of Sections 28 and 29 the lands that may, without the consent of the owner, be taken for the right-of-way shall not exceed 60 feet in breadth, but with the Board's consent additional lands may be taken when necessary.

A pipe line company's right to cross any highway, railway, irrigation ditch, underground utility etc., is subject to the Board's approval (Section 31); similarly, the Board has the power to grant leave to others to cross a company pipe line with highways, railways, utility lines etc. (Section 32).

By General Order No. 812 dated July 12, 1955, the Board of Transport Commissioners has issued standard regulations regarding pipe crossings under railways. This Order was made pursuant to powers conferred upon the Board by the Railway Act. By General Order No. 813 dated July 12, 1955, the Board has issued standard regulations regarding company pipe line crossings. This Order was made pursuant to powers vested in the Board by The Pipe Lines Act. By paragraph 7 of the latter certain of the regulations promulgated by General Order No. 812 apply to the construction of a company pipe line under any railway.

When the construction of a pipe line has been completed, leave of the Board must be obtained before it may be opened for the transportation of oil. Section 34 provides:

"34. No company pipe line and no section thereof shall be opened for the transportation of oil or gas until leave therefor has been obtained from the Board."

Upon application for such leave an oil pipe line company is required to furnish the Board with evidence that the line is ready for the safe carriage of oil and the Board may require an inspection by its Engineering Department before granting an Order.

The Board has control over disposal or alienation of a pipe line, for Section 10 provides:

"10. A company shall not, without the leave of the Board,

- (a) sell, convey or lease to any person its company pipe line, in whole or in part;
- (b) purchase or lease from any person any pipe line for the transportation of oil or gas;
- (c) enter into an agreement for amalgamation with any other company; or
- (d) abandon the operation of a company pipe line."

One consequence of this section is that it is necessary to obtain the Board's consent before mortgaging the company's property for purposes of financing.

Part II of the Act (Sections 38-49) applies specifically to "Oil Lines". (See Section 38).

There are four sub headings in this Part as follows:

"Common Carriers"; "Traffic, Tolls and Tariffs"; "Unjust Discrimination" and "Contracts Limiting Liability".

The first sub heading "Common Carriers" includes Sections 38 and 39 which state—

"38. This Part applies in respect of company pipe lines for the transportation of oil and to companies operating such lines."

"39. The Board may, by order, declare a company to be a common carrier whether the company has or has not acted or held itself out as a common carrier, and the expression "common carrier" in the following sections of this Part means a company that has been declared by the Board to be a common carrier."

Interprovincial has always operated and held itself out as a common carrier* and has at all times voluntarily furnished the Board with copies of its published tariffs. The Board has not declared the Company to be a common carrier.

There is a possible ambiguity in Part II of The Pipe Lines Act in that it may be argued whether or not Sections 40, 43, 44 and 45 thereof, which empower the Board to make Orders and Regulations and impose conditions as to traffic, tolls and tariffs, are applicable before the Board declares an oil pipe line company to be a common carrier. The matter was discussed in a Judgment of the Board in the case of International Refineries, Inc. vs. Interprovincial Pipe Line Company, reported in 75 Canadian Railway

*(For example, see Throughput Agreement with Imperial Oil Limited of October 1, 1949).—Appendix "C".

and Transport Cases at page 68 (April 23, 1957)*, but in the light of their findings therein the Board did not deem it necessary to decide on the question.

The particular facts of the above case are not of any immediate interest in this review of the Board's jurisdiction, but the arguments presented by the parties, as to when an oil pipe line company should be declared to be a common carrier, and the Board's statement of its attitude on that point are informative and are quoted here from the Judgment:

At p. 75—

"A number of grounds were advanced by International as to why the Board should declare Interprovincial to be a "common carrier". These grounds included the facts as shown by the evidence that Interprovincial has, in two prospectuses, referred to itself as a "common carrier"; it has eighteen customers; its tariffs imply "common carrier" regulation; its Lakehead subsidiary is a "common carrier" by U.S. law; the transportation of oil across Canada is of vital importance and should be subject to the scrutiny of this Board; it has expropriation rights and should therefore be subject to regulation. On the other hand, Interprovincial pointed out that a reading of the Railway Act and the Pipe Lines Act would justify the conclusion that the Railway Act is designed to provide a code of regulation in the public interest, while the Pipe Lines Act is designed to permit pipe line companies to operate with a minimum of regulation, and implementation of Part II of the latter act by a "common carrier" declaration should only take place when the evidence shows an abuse by a pipe line company of its powers.

"The Board has concluded that at this time it is not necessary or desirable to declare Interprovincial to be a "common carrier" pursuant to s. 39 of the Pipe Lines Act. However, the Board will not hesitate to declare any oil pipe line company subject to its jurisdiction to be a "common carrier" if, for any reason, the Board considers that it would be in the public or national interest to do so."

On an application by International Refineries for leave to appeal from the Board's decision to the Supreme Court of Canada, Mr. Justice Rand said:

"I interpret this section (39) to place an absolute discretion in the Board and that it is not bound in any state of facts to make the declaration." (75 CRTC 114, at p. 118).

Under Part IV of the Act there are two subheadings—"Accounts" and "Statistics".

Section 52 provides that the Board may prescribe or make regulations regarding the manner of keeping accounts, depreciation charges and a uniform system of accounts applicable to any class of company.

Section 53 provides that—

"(1) every person constructing or operating a pipe line for the transportation of oil or gas shall prepare and furnish to the Board returns of its capital, traffic, revenues, expenses and all other information required by the Board."

Concerning "Accounts" the Board in June of 1957 advised the oil pipe line companies under its jurisdiction that it had decided to prescribe a Uniform Classification of Accounts for Oil Pipe Line Companies. After consultation with the pipe line companies concerned a provisional manual, patterned after the Interstate Commerce Commission Manual, was compiled and all companies concerned have undertaken to adopt the accounting system prescribed therein effective January 1, 1958. It is anticipated that after a reasonable trial period the provisional manual, with such changes as experience shows to be desirable, will be issued in final form.

*This case is discussed in more detail later under the title "Economic Aspects"—sub-title "Tariff Structure and History".

Interprovincial has regularly provided the annual statistical returns required under Section 53.

Based upon its seven years of experience in construction and operations under the jurisdiction of the Board of Transport Commissioners, Interprovincial feels that the Board is the desirable Federal regulatory body for oil pipe lines. Interprovincial's experience has shown that the Board has discharged its judicial and administrative duties and functions under The Pipe Lines Act in a faithful and diligent manner and at all times has given a great deal of thoughtful consideration to the treatment and solution of the sometimes rather novel problems facing a comparatively young industry operating under new legislation.

Under The Pipe Lines Act the Board of Transport Commissioners is presently charged with the regulation of pipe lines and it is this Company's unqualified recommendation that such regulation remain with that Board.

Subsidiary Companies in the United States

As was mentioned in the opening of this submission, in order to finance and own and operate that part of the Company's pipe line system in the United States, a United States subsidiary, Lakehead Pipe Line Company, Inc., was incorporated on August 29, 1949. Its principal place of business is Superior, Wisconsin.

A second wholly owned subsidiary of Interprovincial known as Lake Superior Pipe Line Corporation (Lake Superior) was formed on December 29, 1949. This was done in order to comply with the then existing alien property laws of the States of Minnesota and Wisconsin. Interprovincial therefore caused Lake Superior to be organized under the laws of the State of Minnesota. Lake Superior acquired all of the then outstanding capital stock of Lakehead on January 4, 1950, and all the issued stock of Lake Superior was held by Interprovincial. By 1953 the statutory restriction on the ownership of property in Minnesota and Wisconsin had been modified. As there was then no longer any need for an intermediate subsidiary, an Agreement of Merger dated November 16, 1953 was entered into between Lake Superior Pipe Line Corporation and Lakehead Pipe Line Company, Inc. whereby the two companies were merged, with Lakehead continuing as the surviving corporation. It was agreed that as of the date of the merger, Interprovincial would be the owner and entitled to have registered in its name, all the issued and outstanding shares of capital stock of Lakehead, the surviving corporation.

As the Lake Superior Company no longer exists, it will not be referred to in the review of the financial structure of Interprovincial or Lakehead, or the combined Interprovincial-Lakehead system. It is mentioned here, however, since an examination of the early financial documents would raise an inquiry as to the identity of this subsidiary.

HISTORICAL REVIEW OF THE COMPANY'S CONSTRUCTION OF PIPE LINES AND FACILITIES

Initial construction program

The initial thinking of those planning an outlet for Alberta crude oil was to construct a pipe line from Edmonton to Regina, a distance of 438 miles. By the summer of 1949 however, the rate of production from existing wells and further discoveries of new fields in the Edmonton area made it evident that there were sufficient oil reserves in Alberta to supply not only the Prairie Provinces, but a considerable part of the markets in Ontario and some in the United States as well. It was therefore decided to extend the proposed pipe line beyond Regina, through Gretna, Manitoba, a town near the international boundary, and thence to Superior, Wisconsin, at the head of the Great Lakes. The construction of tankage and dock facilities at Superior would enable shipments to be made to the Sarnia, Ontario, refinery area by lake tankers and the construction of additional storage tanks would provide for a continuous pumping schedule from Alberta during the closed season of navigation. This was the plan finally adopted by Interprovincial and envisaged 774 miles of pipe in Canada and 324 miles in the United States, or a total of 1,098 miles. (An extension of 31 miles from Edmonton to Redwater made the aggregate of 1,129 miles previously mentioned.)

The revised planning entailed not only new engineering problems, but also the survey and acquisition of almost 700 miles of additional right-of-way within a period of a few months, the acquisition of steel, the laying of 700 additional miles of pipe and the construction of additional pumping stations and a tank farm and dock facilities at Superior.

As a matter of historical interest, it may be pertinent to recall the problems which confronted those charged with the undertaking. These were all the more difficult in that although personnel required to fill the key positions of the proposed organization were transferred or borrowed from other companies, only a few of these had previous pipe line experience.

ENGINEERING

During the early planning stage a group of Canadian engineers established a design office at Tulsa, Oklahoma in November, 1948. Tulsa was selected because it was the headquarters of a large number of pipe line operators and equipment suppliers which made readily available to the engineering staff all the wide experience of established organizations in pipe line techniques and the type of materials and equipment needed for the undertaking. In November, 1949, this engineering group moved to Edmonton where the Head Office of Interprovincial had been established.

The Company's engineers were obliged to find answers to many problems, some of which include the following:

What maximum throughputs would be required? How varying temperatures affect viscosity of the crude and throughputs? How to protect the pipe from corrosion? What of frost penetration and the soil coverage required to provide reasonable winter operating temperature? How much pressure drop per mile occurs in various diameters of pipe? How best to construct river crossings and the strength and protection of pipe in such crossings? The best type and size of pipe to be used, particularly in view of the prevailing world shortage in steel? How many pumping stations were required and where located? The most favourable route to follow to avoid major ground contours, lakes and difficult terrain?

When the project was limited to a line from Edmonton to Regina, 16-inch pipe, which was the largest then made in Canada, had been ordered, but the extension being decided upon and with potential production mounting rapidly, it was decided to increase the size of the pipe in the Edmonton to Regina section from 16 inches outside diameter (O.D.) to 20 inches O.D.

As a Canadian firm already had the contract for the 16-inch pipe, it was necessary to use this pipe in Canada. Studies proved it was practical to use this size of pipe on the section from Regina to Gretna,

Manitoba, because there would be a fairly large take-off of crude for refineries at Regina, decreasing the throughput and the required size of the pipe line east of that city.

As a result of all calculations and on the basis of the pipe available on the world markets, it was decided to construct a 20-inch diameter line from Edmonton to Regina, a 16-inch line from there to Gretna near the international border and an 18-inch diameter line from Gretna to Superior. It was also decided to build seven pumping stations at the following points:

Redwater and Edmonton, Alberta,
Kerrobert and Regina, Saskatchewan,
Cromer and Gretna, Manitoba,
Clearbrook, Minnesota.

A detailed investigation and study of the best route to follow was undertaken. Among the first tasks in the initial planning stage was an aerial survey of the proposed route. Several reconnaissance flights were made and the most favourable general route was selected. Then followed an aerial photographic survey to provide stereo and mosaic prints for close study. The complete set of stereos were used to locate major obstacles such as farm buildings and other permanent structures on the route. Maps were made up from the mosaics showing the route of the pipe line and these maps provided the information for the detailed ground survey carried out in 1949. The result of these studies indicated that on the basis of economic construction and sound line maintenance, the logical terminal would be Superior, Wisconsin. At that time it was estimated that to construct the line to a Canadian port on Lake Superior would have required additional investment capital of over ten million dollars, or over 10% of whole project cost, that the laid-down cost of western crude in the east would have been increased by ten cents a barrel, and that an additional year's time would have been needed for construction.

The scheme was an engineering project on a grand scale but the problems were surmountable provided the money and materials were made available, the requisite rights-of-way could be acquired, and that leave to construct the line could be obtained under the new Pipe Lines Act of Canada.

RIGHTS-OF-WAY

The task of surveying the exact route and acquiring rights-of-way over the tremendous distances involved was so well accomplished that before the end of 1949 completed plans of the Edmonton to Gretna section had been presented to the Board of Transport Commissioners, and before construction started in the spring of 1950 a continuous chain of easements or legal rights to possession existed from Redwater to Superior. In all, approximately 2,100 landowners in Canada and 400 in the United States were involved. That good relations with owners were maintained is evident from the fact that for some 800 miles of easements in Canada, only three cases of contested expropriations occurred.

CONSTRUCTION

During the initial construction of the pipe line in 1950, there were no contractors in Canada with the expert knowledge, the trained personnel or the specialized machinery required for the operation. However, 80% of the manpower engaged on construction in Canada was Canadian. Actual construction of the 1,129 miles of line took 150 days to complete and operations commenced out of Edmonton on October 4, 1950, with oil arriving in Superior early in December of that year. It is believed to be the shortest period in which a comparable pipe line has ever been built. Experience has shown that it was well built.

Some of the legal problems involved in the preliminary stages of the Company's history will be referred to in the following paragraphs.

Exportation of Power and Fluids and Importation of Gas Act

At the time Interprovincial was incorporated, and also at the time it made its application to the Board of Transport Commissioners for Canada for leave to construct its pipe line to the international boundary the Electricity and Fluid Exportation Act, R.S.C. 1927 C. 54 was in effect.

The relevant sections of this Act were sections 5, 6, 7 and 8 which read as follows:

- “5. (1) No person shall export any power or fluid without a licence, or any power or fluid in excess of the quantity permitted by his licence, or otherwise than as permitted by such licence.
- (2) No person shall, without a licence, construct or place in position any line of wire or other conductor for the exportation of power, or any pipe line or other like contrivance for the exportation of fluid.
- “6. (1) Subject to any regulations of the Governor in Council in that behalf, the Governor in Council may grant licences, upon such conditions as he thinks proper, for the exportation of power or fluid where a right to export exists by lawful authority.
- (2) Such licence is revocable upon such notice to the licensee as the Governor in Council deems reasonable in each case.
- “7. (1) Any such licence may provide that the quantity of power or fluid to be exported shall be limited to the surplus, after the licensee has supplied for distribution to customers for use in Canada power or fluid to the extent defined by such licence, at prices and in accordance with conditions, rules and regulations prescribed by the Governor in Council.
- (2) Every such licence is revocable at will by the Governor in Council if the licensee refuses or neglects to comply with any of the conditions imposed with regard to the supply and distribution of power or fluid in Canada.
- “8. Subject to any regulations of the Governor in Council in that behalf, the Governor in Council may grant licences for the construction, placing or laying of any line of wire or other conductor for the exportation of power, or of any pipe line or other like contrivance for the exportation of fluid.”

In view of these provisions the Board of Transport Commissioners, before granting the Company leave to construct, required evidence that both the Company and its proposed shippers either had or could obtain the required licences. These licences had not been obtained at the date of the hearing but evidence was given on behalf of the Department of Trade and Commerce that favourable consideration would be given to the granting of such licences, and in fact the licences were granted shortly thereafter.

It is of interest to note that in 1955 the Electricity and Fluid Exportation Act was repealed and replaced by the Exportation of Power and Fluids and Importation of Gas Act. (1955 C. 14). In the new Act the provision requiring a pipe line company to obtain a licence to construct a pipe line for the exportation of oil has been deleted.

The Board of Transport Commissioners for Canada—Applications for leave to construct and approval of route

The Pipe Lines Act and the Special Act Incorporating Interprovincial received Royal Assent Saturday, April 30, 1949.

Leaving aside at this time the financing arrangements which will be dealt with subsequently under the title “Financial Structure and History” the next step was to apply to The Board of Transport Commissioners for Canada under the provisions of The Pipe Lines Act, for an Order granting the Company leave to construct the pipe line. If such an Order were made the next step would be to complete detailed plans, profiles and books of reference to submit to the Board for approval. It would only be after such plans were approved and deposited in the required land registry districts that the Company could really get on with the work of acquiring the necessary right-of-way.

If the line was to be completed and in operation before the end of 1950 time was obviously of the essence and by letter of May 2, 1949 Counsel for the Company notified the Board of Interprovincial's intention to apply for leave to construct a pipe line from Edmonton to Regina. This was followed by a formal application, filed on May 9, and on that day the Board issued its first formal Order under The Pipe Lines Act (Order 72367), directing that the Company's application be heard on June 7, 1949, and further directing service of the application and route map filed upon the railways, municipal corporations and public utility boards concerned, together with publication in newspapers along the route. The application of May 9, 1949, and the Board's preliminary Order of the same date, were made pursuant to Section 12 (1) and (2) of The Pipe Lines Act which states:

"12. (1) Upon an application for an order granting leave to construct a line, the company shall file with the Board a map showing the general location of the proposed line, the termini, and all cities, towns, villages, railways and navigable waters through, under or across which the line is to pass.

(2) The Company shall file a copy of the application and of the map with the Attorney-General of each province to which the application relates in whole or in part, and the Board shall require notice of the application to be given by publication in newspapers or otherwise."

(By Circular No. 266, issued by the Board on February 21, 1951, the Board requires the route map showing the general location of the proposed pipe line to be on a scale of not more than eight miles to the inch and that it shall show all cities, towns, villages, railways and navigable waters through, under, or across which the pipe line is to pass and such as may be within a radius of thirty miles of the proposed line, and generally the physical features of the country through which the pipe line is to be constructed.)

On June 10, 1949, the Board granted Interprovincial leave to construct the pipe line from Edmonton to Regina. (Order No. 72550). As the result of subsequent applications, the Board granted leave to construct from Regina to Gretna, Manitoba, on September 15, 1949, (Order No. 73069) and from Edmonton to Redwater on March 6, 1950, (Order No. 74080). As these Orders covered the whole Canadian section of the line operated by the Company prior to its extension to Ontario in 1953, they will be considered together for the purpose of describing the Board's method of exercising its functions under The Pipe Lines Act.

Section 12 (3) states:

"Upon the application, the Board shall have regard to all considerations that appear to it to be relevant and in particular to the objection of any party interested, to a public interest that in the Board's opinion may be affected by the granting or the refusing of the application, and to the financial responsibility of the applicant."

The evidence required by the Board as to what considerations are relevant to the public interest, to the objections of parties interested and to the financial responsibility of the Applicant, is well illustrated in the first two applications of this Company above referred to. (The line to Redwater was only 31 miles in length and is not of comparable importance.) The Judgment of the Board on the initial application for leave to construct the pipe line from Edmonton to Regina is reported in 64 C.R.T.C. 193 (June 10, 1949). The evidence furnished by the Applicant was considered favourably and the Chief Commissioner referred to such evidence on the following points (p. 194):

1. The general location as shown on the route map.
2. The length of the proposed pipe line and its diameter.
3. The estimated oil reserves in the Province of Alberta; the potential daily output from the Alberta oil fields; the pumping and drilling facilities in the oil field.
4. Distribution of oil at the terminus of the pipe line.
5. Detailed consideration of the financial responsibility of the Applicant.

On the date of this application, Interprovincial had few assets, and at that time was a wholly owned subsidiary of Imperial Oil Limited. (Subsequently, with the sale of capital stock to others and the con-

version of convertible debentures to stock Imperial's percentage interest dropped and as of this date Imperial owns 33.22% of the Company's issued stock.) The Board's Judgment stated that Imperial had already subscribed for 10,000 shares at \$50 per share to be issued by the Applicant, and had also assumed direct responsibility for the purchase price of pipe in the estimated amount of \$9,000,000. At the request of the Board, Imperial also filed an undertaking with the Board in which it undertook to provide, or cause to be provided, to Interprovincial sufficient funds that the latter Company would be in a position financially to construct and complete the pipe line. Imperial also filed a copy of its last Balance Sheet.

After referring to this evidence, the Chief Commissioner said (p. 195):

"The Board is of opinion that the financial commitments already made by the Imperial Oil Limited, together with its undertaking and evidence as to its ability to fulfil the conditions of its undertaking, are complete and satisfactory evidence as to the financial responsibility of the applicant."

The Board's reasons for Judgment granting the Company's application for leave to construct from Regina to Gretna are reported in 64 C.R.T.C. p. 189 (September 12, 1949). This decision is of particular interest in view of the fact that the proposed system would extend across the international boundary. The total cost of the pipe line, including facilities, from Edmonton to Superior was estimated to be \$90,000,000, which figure included \$5,000,000 for working capital. After reviewing the detailed evidence furnished as to the issuance of bonds and other securities to finance the construction, the Chief Commissioner said (p. 191):

"The Board is satisfied that the evidence as to financial responsibility of the company respecting this enterprise is satisfactory."

As to oil resources, the Judgment states (p. 191):

"Satisfactory evidence was furnished as to the quantity of oil available to justify construction of the pipe line. The evidence as to the oil resources of the Province of Alberta was of a nature to satisfy completely the minds of the members of this Board in this regard."

The evidence as to markets in Sarnia, Ontario, for oil transported by pipe line to the terminal at Superior, Wisconsin, was also considered and found satisfactory (p. 191).

In connection with the requirements of the Electricity and Fluid Exportation Act referred to above conclusive evidence was given by a representative of the Federal Government that favourable consideration would be given to the granting of a licence to Interprovincial to construct a pipe line which would carry the oil outside Canada and also that a licence could be obtained by Imperial Oil Limited for the export of the oil (p. 192).

The question of the feasibility of the Company constructing its pipe line completely in Canadian territory rather than going through the United States was reviewed at this time. On this question the Judgment states as follows (p. 192):

"The Board received a number of telegrams from organizations and other parties in Fort William and Port Arthur, Ontario, protesting the proposal that the proposed line would connect at Gretna with another pipe line passing through United States territory. It was suggested that the pipe line from Regina should pass through Canadian territory to Fort William. The evidence indicated, however, that after having made careful surveys the applicants were unable to find a location for a pipe line passing through the Canadian head of the lakes territory that could be constructed without greatly increased cost and delay.

"The territory selected for the location of the line from Gretna to Superior, Wisconsin, is of a nature that at least \$10,635,000 will be saved in the construction of the line as compared to the cost of a line passing through Kenora and other points in Canadian territory to Fort William. The additional costs in the construction of the line would result in transportation costs which would make it impossible for Alberta crude oil to compete with crude oil from the mid-Western States and other areas to Sarnia."

The above decisions indicate the evidence which was required, from the very inception of pipe line legislation, to satisfy the Board that the construction of a particular pipe line was warranted.

On a company's application for an Order, under Section 13 of The Pipe Lines Act there must be submitted to the Board for its approval, a plan, profile and book of reference. The plan and profile show the exact location of the proposed line on a scale of 1,000 feet to the inch (Section 13 (2) and Board Circular No. 266). The book of reference describes the portion of land to be taken in each parcel of land to be traversed and "the area, length and width of the portion of each parcel to be taken, and the names of the owners and occupiers so far as they can be ascertained". (Section 13 (1) and (3)).

Although it is not required by The Pipe Lines Act, Interprovincial from its inception has adopted the policy of having its route surveyed on the ground before preparing its plans, profiles and books of reference for submission to the Board. Thus the plans, when submitted, are signed by a Provincial Land Surveyor of the province concerned. This in turn means that, after approval by the Board, the plans, as well as being deposited under The Pipe Lines Act, may be filed or registered in the relevant land registration district under the provisions of the provincial land registration statutes and the land descriptions used in the Company's easements may be made merely by reference to a registered or filed plan rather than by a metes and bounds description or by attaching an individual sketch to each easement.

During and since 1949, whether for extension of the pipe line or for "looping" construction along the existing right-of-way, it has been Interprovincial's practice to have its employees and agents make personal calls on the owners and public officials concerned in order to explain the Company's intentions. Subsequent to an Order granting leave to construct and prior to the Board's approval of the exact location of the line, it has also been the Company's practice to enter into option agreements with owners of lands which will be affected if the Board approves the route of the proposed right-of-way. Such options have attached the forms of easements proposed to be entered into if and when the route is approved.

It has been Interprovincial's practice when applying for the Board's approval of a plan, profile and book of reference under Section 13 to also apply under Section 31 for leave to carry the pipe line across all highways, railways, utility lines, etc., proposed to be crossed. For this application drawings of all such crossings, showing the location and the details of the crossing, must also be prepared. At the hearing of such applications any person, corporation or public authority concerned has the right to appear and object to the proposed route of the line, or to the location or nature of the crossing.

As an example of the Board's method of procedure in dealing with the applications for approval of plans, profiles and books of reference as well as leave to effect crossings, the Company's most recent experience will be referred to. By Order No. 88980 of June 8, 1956, the Board granted the Company leave to construct an extension of its pipe line from Sarnia to Port Credit, Ontario, a distance of approximately 156 miles. This Order was granted after the usual public hearing which was held in Ottawa. By January of 1957, the Company had completed its survey of the route, had been granted options by a large majority of the landowners affected, and had obtained consents from most of the corporations and public authorities concerned to the crossings required to be approved by the Board. The Company applied to the Board on January 22, 1957 for the necessary Orders pursuant to Sections 13 and 31 of the Act. At this time the Board had been informed of a number of objections to the Company's proposed route. It therefore directed, by Order No. 90770 dated January 22, 1957, that the application would be heard on February 19, 1957 and selected Toronto as the place of hearing to suit the convenience of the majority of those objecting. It also directed publication of notice of the application in newspapers published in ten cities along the route. Further, service by registered mail of the notice and copies of the plans, profiles and books of reference was required to be made on the Attorney-General of Ontario, the Minister of Public Works, Ottawa, railway companies, public utility companies and other pipe lines as well as on the clerk of each county and township affected by the proposed pipe line. The hearing of the Company's application was held in Toronto on February 19 to 21 inclusive and was attended by representatives of townships, companies and property owners and their counsel. After hearing the evidence of many witnesses and argument of counsel, the Board, by Order No. 91095 dated February 28, 1957, granted the Company's application.

The Pipe Lines Act has imposed upon the Board of Transport Commissioners the responsibility of protecting both public and private interests. The procedures followed by the Board and the decisions above referred to demonstrate the care taken by the Board in carrying out this responsibility.

Progressive expansion of the pipe line system and facilities

It has been Interprovincial's policy since the original 1950 construction program to make the necessary plant additions each year which will enable it to meet its pumping commitments for the following year. That is, the 1951 physical capital budget, approving the 1951 construction program, was based on forecast 1952 pumpings. This procedure has been followed each year since that time, and because of an ever-expanding market for crude, major construction programs were completed each year except during 1955.

Accordingly, expansion of the Interprovincial Pipe Line system has occurred in a stepwise manner, by years. Sometimes it happens, however, that a construction program for a certain year is not completed by the end of that year but is carried over into the early months of the following year. In addition, it has also happened that a pressing need has required the installation of a minor project a few months before its budget year. However, to simplify the following discussions of capacities and investments, it will be assumed that all construction projects are started and completed in their budget year.

It may be of interest to refer to Appendix "B" hereto, which illustrates the following in more detail.

BEFORE 1951 CONSTRUCTION

Before the 1951 construction program started, Interprovincial had a 1,129 mile pipe line from Redwater, Alberta to Superior, Wisconsin crossing the international boundary just south of Winnipeg near Gretna, Manitoba. The pipe line varied in size from 20" to 16" in diameter, and there were six main pumping stations, located at Edmonton, Alberta, Kerrobert and Regina, Saskatchewan, Cromer and Gretna, Manitoba and Clearbrook, Minnesota. This line delivered crude to refineries in Alberta, Saskatchewan and Manitoba, and to lake tankers at Superior, Wisconsin. These tankers moved the crude from Superior to Sarnia, Ontario. The operation of this original pipe line, therefore, was limited somewhat (as far as the Ontario market was concerned) to the navigation season, except that the Company owned approximately 1,800,000 barrels of crude storage at Superior which was used to maintain minimum pumpings into Superior in the winter period. The decision to construct sufficient storage at Superior to maintain pumpings at the year round average was deferred because of the large investment involved and the feeling (later realized) that the line would eventually extend beyond Superior to Sarnia. Thus, early in 1951 the Company had a \$73,117,000 system with the following yearly average capacities:

Edmonton to Regina	103,200 barrels per day (b/d)
Regina to Gretna	69,000 b/d
Gretna to Superior	70,000 b/d

1951 AND 1952 CONSTRUCTION

Forecast pumpings for 1951 and 1952 were in excess of the above capacities. To enable the Company to handle this additional throughput, five additional pumping stations, located at Hardisty, Alberta, Loreburn and Glenavon, Saskatchewan, Glenboro, Manitoba and Viking, Minnesota, were constructed in 1951 and 2,600,000 additional barrels of storage capacity was added at Superior, Wisconsin in the same year. In 1952 the Company constructed a second line in sections of its existing right-of-way between Regina and Gretna, consisting of 100 miles of 16" pipe laid in four sections (loops) and installed an additional engine at each of the Hardisty and Loreburn pumping stations. A new station (the twelfth) was constructed at Deer River, Minnesota and 651,000 additional barrels of storage capacity was added at Superior. (An additional 2,600,000 barrels of storage capacity at Superior had been planned, but due to a steel strike was not completed by the opening of navigation in 1953. The erection of this additional tankage was subsequently cancelled when the decision was made to construct the pipe line extension from

Superior to Sarnia, Ontario.) The total plant additions resulting from the 1951 and 1952 construction program were completed at a cost of \$20,731,000 and resulted in the following yearly average capacities:

Edmonton to Regina	153,000 b/d
Regina to Gretna	116,300 b/d
Gretna to Superior	109,000 b/d

1953 CONSTRUCTION

It became apparent by this time, that crude requirements east of Superior were growing to a magnitude that would justify the extension of the pipe line from Superior to Sarnia. Since the pipe line was to traverse a distance of 645 miles through difficult country, extensive studies had to be made. These studies were made both by Company personnel and independent experts and form the basis of the Company's expansion plans to this day and for the foreseeable future. They not only resulted in the construction of the Superior to Sarnia extension, but also initiated a program of planned stepwise expansion of the Company's Edmonton to Superior system. The extended and expanded system was to be of sufficient capacity to allow pumping rates of 300,000 barrels per day out of Superior, as well as deliveries to Saskatchewan, Manitoba and the Lakehead area of 128,000 barrels per day. To deliver 300,000 barrels per day east of Superior and 128,000 barrels per day between Edmonton and Superior, plans were adopted for the construction, in stages, of a second line (loops) on the Company's existing right-of-way from Edmonton to Superior and a 30" line from Superior to Sarnia. The second line from Edmonton to Gretna was to be 24" and from Gretna to Superior was to be 26".

The 1953 construction program consisted of the installation of the 30" Superior to Sarnia line with one pumping station at Superior. In addition, 133.7 miles of 24" pipe line (in four loops) was completed between Regina and Gretna and additional engines were installed at each of the Viking, Clearbrook and Deer River stations. The total cost of these projects was \$80,008,000 and resulted in the following yearly average capacities:

Edmonton to Regina	170,300 b/d
Regina to Gretna	140,900 b/d
Gretna to Superior	120,100 b/d
Superior to Sarnia	110,000 b/d

1954 CONSTRUCTION

Anticipated new Minnesota and Michigan markets necessitated a great portion of the 1954 construction. Additional sections of the second 24" line were laid between Edmonton and Regina (in four loops) and between Regina and Gretna (in five loops), and sections of the second 26" line were laid between Gretna and Superior (in four loops). Station additions which would eventually be used for the second line were completed at the Regina, Glenavon, Cromer, Glenboro, Gretna, Viking, Clearbrook and Deer River pumping stations, and a second pumping station was installed on the Superior/Sarnia line at Saxon in Wisconsin. Additional tankage was constructed at the Edmonton, Regina, Cromer and Gretna pumping stations. The cost of the 1954 construction was \$52,030,000 and resulted in the following yearly average capacities:

Edmonton to Regina	217,000 b/d
Regina to Gretna	191,600 b/d
Gretna to Superior	162,400 b/d
Superior to Sarnia	147,200 b/d

OPERATIONS

The description of Interprovincial's operations which follows begins with the receipt of crude oil into the pipe line system from the various oil gathering sources and proceeds with the movement of crude oil through the system to destination. The route of the Interprovincial system is shown in Appendix "A".

Receipt of oil

The receipt of oil by Interprovincial in Alberta only will be described as the same procedure applies at all other points. There are nine gathering systems in Alberta delivering oil to Interprovincial—two at Redwater, one at Excelsior, five at Edmonton and one at Hardisty. The oil is gauged into tankage at Redwater, Excelsior, Edmonton and Hardisty and custody is accepted from the gathering systems at these points on an accounting form termed a "Receipt Ticket" showing the tank gauges (depth of oil in the tank), temperatures and gravities and B S & W (Basic Sludge and Water) determinations observed by representatives of both the gathering system and Interprovincial and signed for by them. B S & W is deductible to give the net volume of crude oil received and must not exceed 0.5%. From this information the accountants calculate the volume of oil received. The oil from Redwater and Excelsior is pumped to the Edmonton pumping station either into the line moving eastward or into tankage. A quantity of Redwater oil is also delivered directly out of the Redwater to Edmonton portion of the line into tankage on the Trans Mountain Oil Pipe Line Company pumping station. In the past Redwater oil has also been delivered to refineries at Edmonton but none is being so delivered at the present time.

Delivery of oil

Deliveries are made in much the same manner as receipts, with representatives of both the delivering and receiving companies concerned witnessing tank gauges, temperatures, gravities and B S & W determinations and signing the tickets which are then sent to the Accounting Department for computation of volumes.

Main line operation

There are six types of crude oil received at Edmonton today:

- Redwater
- Leduc
- Britamoil
- Pembina
- Ellerslie
- Joarcam

and three streams pumped out:

- Redwater
- Leduc (includes Pembina-Joarcam)
- Mixed Blend (Britamoil-Pembina-Ellerslie)

The mixture termed "Mixed Blend" is made up in predetermined proportion, controlled by special instruments regulating the rate at which the oil is pumped from several tanks so that the composition of the stream pumped into the main line will, within certain limitations, be uniform.

When Interprovincial first went into operation the system was comparatively simple with one booster station at Kerrobert only required to give sufficient movement to the oil to reach Regina. Three stations only were required to move the oil between Regina and Superior, which was at that time the eastern terminal of the line. Crude oil was shipped out by tanker from Superior in summer to refineries at Sarnia and Clarkson, Ontario. During the winter sufficient oil was stored in tankage at Superior to supply the summer demand of the above refineries which was greater than the then capacity of the pipe line.

Since that time the system has grown in four different ways:

1. Intermediate stations have been added.
2. The pumping capacity of existing stations has been increased.
3. Loops, or parallel pipe lines, have been laid in the existing right-of-way.
4. The line has been extended first to Sarnia and then to Toronto.

Appendix "A" shows the principal features of the system as it exists today. Also listed thereon are the Receipt points and the Delivery points throughout the entire system. Receipt and Delivery Tickets are made out at each point in the manner already described for Alberta.

Dispatching

In order to deliver the desired amount of the right type of oil at the right time to keep the refineries in continuous operation, a great deal of planning is necessary. The amount of oil required must be in the pipe line passing the delivery point at the right time and the volume going through the pipe line system will govern the time at which the oil will be received at its destination. The procedure of pumping quantities of different types of oil into the line one after the other is called "batching". Under normal conditions there is little intermingling between the tail of one batch of oil and the head of the next so the type of oil each refinery requires is delivered to it reasonably free from contamination. Refineries are designed to produce a given proportion of various refined products to definite specifications and have limited flexibility in use of crudes of other types than that for which they were designed. For example, some refineries are not equipped with extensive sulphur removal systems hence they cannot accept a crude with a high sulphur content nor can they usually tolerate appreciable contamination of the crude delivered to them by crudes of another type.

The following companies are the principal crude oil purchasers:

- (a) Imperial Oil Limited
- (b) British American Oil Co. Ltd.
- (c) Texaco Exploration Co.
- (d) Great Northern Oil Purchasing Co.

Each month the Company's Chief Dispatcher prepares the pumping schedule for the following month based upon the tenders for that month received from the various shippers. This schedule establishes the rate of pumping not only out of Edmonton but also out of every other point along the system at which oil is received. It also provides for the right type of oil being delivered to each refinery at the right time and in the amount required. At the present average rate of pumping approximately forty-five days are consumed for oil to travel from Edmonton to Port Credit, making it necessary for all concerned to plan well ahead.

Under today's conditions scheduling has become a very complicated and complex operation. The requirements of refineries change at short notice for many reasons and market demands vary with any material departure from normal weather or seasonal conditions.

Communications

Every pumping station and delivery point is connected with Edmonton office by teletype, thus tending to eliminate mistakes and misunderstandings. The stations report operating conditions every hour and, those with tankage, their stock position every two hours. A mobile radio system maintains close contact with maintenance men and supervisors while travelling.

Mechanical maintenance

Mechanical maintenance on equipment is carried out on a planned schedule, usually referred to as "Preventive Maintenance". From information given by the manufacturers and from past experience,

the rate of wear, among other things, can be gauged and the wearing parts inspected and replaced if necessary. Involuntary shutdowns are thus reduced.

In planning the Maintenance Schedule consideration must be given to the Pumping Schedule to prevent interference with the movement of oil. In the majority of pumping stations a spare pumping unit permits one pumping unit at a time to be shut down for maintenance.

Pipe line maintenance

The pipe line right-of-way is patrolled by aircraft at frequent intervals, principally to prevent road equipment, drilling rigs or other excavating machinery from working over the right-of-way and jeopardizing the pipe line itself. Determination of pipe line leakage is a remote occurrence. At the present stage in the life of the pipe, pinhole leaks from corrosion of the metal are not to be expected and the leaks from other causes have been relatively minor and infrequent. The right-of-way itself must be kept in good condition and any soil erosion at thaw-out or from heavy rain must be repaired promptly to prevent the pipe line becoming undermined and breaking from lack of support.

Maintenance crews, small in number but consisting of men highly trained in the use of pipe line repair equipment and including an expert welder, are located at approximately 200-mile intervals down the line. In the case of large jobs, two or more crews can be combined.

The aircraft used to patrol the line in Canada are of a rugged character, slow landing and high powered for quick take-off, with a carrying capacity of five men and the pilot. Key men can, therefore, be moved quickly along the right-of-way as there are landing strips at each station and usually a suitable field close to the pipe line.

Communication with the pipe line crews and with key personnel in transit along the right-of-way is maintained by radios from radio towers at each pumping station. Messages are teletyped to the nearest station and then sent on by radio. The antennae are direct to beam down the right-of-way to obtain the best reception possible in the area travelled by maintenance personnel. Aircraft are equipped with radios of the same wave length so that the pilots are in constant contact with the repair crews and pumping stations.

Line fill

The line fill and oil required for tankage for the whole system today amounts to the substantial total of 10,000,000 barrels. The line fill is owned by the shippers and furnished by them in volumes proportionate to each shipper's use of the line. Interprovincial thus has no ownership in the line fill oil but merely retains it in its custody during transportation.

Power to move oil

All but two of Interprovincial's pumping stations are powered by diesel engines using either crude oil as fuel or a combination of natural gas and crude oil. The remaining two are electrically driven; one of them at Indian River, Michigan, being remotely controlled from Superior. The electric pumping station at Sarnia, however, employs one operator on shift.

Personnel

The number of personnel at each pumping station varies from approximately twelve at the smaller stations to twenty at the larger stations. As the pumping stations are up to one hundred miles apart, it will be readily recognized that these widely spaced small work forces create personnel problems that do not normally arise when the work force is concentrated at one or more larger points.

Crossing international boundaries

The movement of crude oil through the Interprovincial system is uninterrupted by the crossing of international boundaries. As is shown on Schedule "A" the pipe line enters the United States in North

Dakota and re-enters Canada near Sarnia. At these points there are no measuring devices or breakout tankage—the flow is continuous. Any necessary Customs formalities take place at the locations where the oil leaves the system either in the United States or Canada.

The difference in the approach to transmission of gas and oil and the reasons therefor

There is one basic difference in the transmission of gas and petroleum by pipe line. Gas pipe lines are common purchasers of their product whereas oil pipe lines in practically every instance either are or conduct their business as common carriers.

As a crude oil pipe line operator Interprovincial does not profess to have any intimate knowledge of the operations of a gas trunk transmission line. There is, however, one feature wherein we believe the operations are very different. Gas, as we understand it, is a common stream product and it is immaterial to the final distributor or ultimate user where the gas originates inasmuch as there are very few stipulations as to quality, the principal ones being the moisture content and the B.T.U. content.

Quite the contrary is the situation that confronts the crude oil pipe line operator. In the first place he carries his shipment, not to a final consumer or distributor but to a refiner. The crude oil must then be processed before final distribution or sale to the ultimate consumer. With various types of crude oil and products being transported through the pipe line it is important that the shipper receive essentially the same product that he tenders to the pipe line. Crude oils yield different products in varying degrees and at the same time refinery equipment is quite often designed to handle a particular type of crude. It would, therefore, be completely impracticable for a refiner to receive and attempt to run in his refinery a crude which would be incompatible with his marketing requirements or refining equipment.

If a pipe line company were to attempt to operate in such a manner as to supply all shippers and/or refiners at any given point on the line at any given time with indefinite quantities of all the various types of crude carried, it is quite obvious that tremendous inventories far out of proportion to the normally required stock would have to be retained on hand. This would result in millions of dollars being invested in a slow moving inventory as well as in excessive tankage and other related facilities. The pipe line company's only alternative to eliminating inventories of this magnitude and the attendant tankage and facilities would be for the pipe line to handle a single common stream of oil which would be a mixture of all types of crude received from various fields. Under these conditions it is very easy to realize the picture that would confront refiners in that they would experience many technical difficulties in manufacturing a uniform and high quality product. Because the first of these procedures is obviously economically impractical and the second is highly undesirable from an operating point of view it has become the common practice for shippers to tender exactly the type of crude which they desire to have delivered at the designated delivery point and for the pipe line company to operate as a carrier only.

This raises the question of line fill. To operate efficiently the pipe line must be full of oil at all times. Since the shippers want the crude they ship to be delivered at the delivery point on schedule there must be crude of that grade in the line—Leduc crude shipped from Edmonton cannot be delivered at Clarkson until the oil ahead of it in the line has been delivered. Therefore, the whole history of oil trunk lines has been for the shippers to own the line fill. Thus by proper scheduling and dispatching when a 100,000 barrel batch of Leduc is shipped by a shipper from Edmonton that shipper may immediately have the same amount of the same quality oil delivered to him at Clarkson. It is true that he has substantial sums of money tied up in inventory, but on the other hand he enjoys a much more workable system for getting a particular grade of crude to the desired delivery point at the time it is needed than he could have if the pipe line company owned the line fill. Further, the shipper really loses nothing by supplying the line fill, because if the pipe line company supplied it, it would mean a substantial additional item to be included in the rate base, and the tariff of carrying charges would have to be increased accordingly.

FINANCIAL STRUCTURE AND HISTORY

Original financing

The cost of the original pipe line system, including the portion in the United States, was estimated at \$85,000,000. A further \$5,000,000 was required for working capital, making a total of \$90,000,000. Of this amount 20% was raised through the sale of capital stock and convertible debentures and 80% through the sale of First Mortgage and Collateral Trust Bonds.

The securities sold were those of Interprovincial Pipe Line Company. Lakehead Pipe Line Company, Inc. obtains the money it requires from Interprovincial.

CAPITALIZATION

(Upon completion of the original financing)

	<u>Authorized</u>	<u>Issued</u>
First Mortgage and Collateral Trust Bonds—		
Series A, 3½% due January 1, 1970 payable in Canadian funds - - -	\$37,000,000	\$37,000,000
Series B, 3½% due January 1, 1970 payable in United States funds - -	35,000,000	35,000,000
Total - - - - -		<u>72,000,000</u>
Convertible Debentures—		
4% Convertible Sinking Fund Debentures, Series A, due October 1, 1970	25,000,000	17,000,000
Capital Stock—		
Authorized—4,000,000 shares having a par value \$50 each, of which		
340,000 shares were reserved for conversion of debentures - - -	200,000,000	
Issued—20,012 shares - - - - -		1,000,600
		<u>\$90,000,600</u>

The first 10,000 shares of stock were purchased by Imperial Oil Limited in August 1949 at par \$50 per share. Except for 12 qualifying shares sold to directors in 1949, Interprovincial remained a wholly owned subsidiary of Imperial Oil Limited until October 1949 when a further 10,000 shares were sold privately at par \$50 per share as follows:

Canadian Gulf Oil Company	2,000 shares
Canadian Oil Companies Limited	1,000
Montreal Trust Company	7,000
	<u>10,000</u>

A further 16 qualifying shares were sold to directors in 1950 and 1952.

The \$17,000,000 convertible debentures were sold in October 1949. A total of \$9,500,000 were sold privately at par as follows:

	<u>Principal Amount</u>
Imperial Oil Limited	\$5,500,000
Canadian Gulf Oil Company	1,700,000
Canadian Oil Companies Limited	850,000
Montreal Trust Company	1,450,000
	<u>\$9,500,000</u>

The remaining \$7,500,000 were sold to a syndicate of investment dealers at \$98.25. The syndicate subsequently disposed of the debentures to approximately 5,500 individuals and corporations at par. Each \$100 debenture was convertible into two shares of \$50 par value stock.

The First Mortgage and Collateral Trust Bonds were sold privately to 49 institutional investors in 1950 pursuant to Purchase Agreements entered into in October 1949. The Series A Bonds were sold at par plus accrued interest and the Series B Bonds were sold at a premium of 1.81% plus accrued interest.

The Bonds were issued under the terms of a Mortgage and Deed of Trust (the Mortgage) dated as of October 1, 1949 between the Company and The Royal Trust Company, as Trustee (the Trustee), by virtue of which:

- (1) a first, fixed and specific mortgage and charge was created upon all the Company's real estate, rights-of-way and other immovable properties and rights, and its fixed plant and equipment;
- (2) a first, fixed and specific mortgage, pledge and charge was created upon all first mortgage bonds and shares of stock issued by Lakehead; and
- (3) a first floating charge was created upon all other property and assets of the Company and its undertaking, subject, however, to provisions designed to permit borrowings from and the giving of security to the Company's bankers and others in the ordinary course of business.

The Bonds were further secured by a Throughput Agreement between the Company and Imperial Oil Limited (Appendix "C") and by a further agreement known as the Three Party Agreement (Appendix "D") under which Imperial Oil Limited guaranteed the payment of interest and principal.

In accordance with the terms of the Mortgage, the proceeds from the sale of the debentures and bonds were deposited with the Trustee. These funds were specifically designated for the construction of the original pipe line system, as defined in the Mortgage, and could be used for no other purpose until the original pipe line system was completed. The Mortgage further stipulated that the debenture moneys were to be exhausted before the bond moneys could be withdrawn.

A total of \$5,000,000 of the debenture moneys was immediately turned over to the Company upon its written request, as provided in the Mortgage. These funds, together with the proceeds from the sale of capital stock, were used to acquire physical assets which were immediately brought under the lien of the Mortgage and used to withdraw further funds from the Trustee. These withdrawals were made by means of property addition certificates which were filed with the Trustee, as provided for in the Mortgage. The Lakehead securities purchased by Interprovincial were deemed to be property additions and as such were included in the certificates along with the physical properties located in Canada. Reimbursement was on the basis of actual cost.

The Mortgage further provided that when the original pipe line system was completed the balance of the moneys on deposit in the Pipe Line Construction Fund, if any, could be used within a period of three years to increase the capacity of the pipe line system. Failing this the funds were to be used to redeem Series A and B Bonds. A balance did remain in the Pipe Line Construction Fund upon completion of the original pipe line system and these moneys were in fact used in 1951 and 1952 to increase the capacity of the system.

The original construction program in the United States was financed by Interprovincial purchasing the following securities from Lakehead in 1949 and 1950:

	<u>U.S. Cy.</u>
Capital Stock—	
4,020 shares, \$50 par value	\$ 201,000
4% Demand Notes	5,200,000
First Mortgage Pipe Line Bonds—	
3½% Series due January 1, 1970	14,250,000
Total	<u>\$19,651,000</u>

A further \$4,500,000 Lakehead 3½% 1970 Series Bonds were purchased on May 28, 1951.

The Lakehead securities are all specifically pledged with the Trustee under the Interprovincial Mortgage. In effect this means that the Interprovincial bonds are secured by the physical properties located in the United States as well as the physical properties located in Canada.

1953 financing

Late in 1952 a decision was made to extend the pipe line system from Superior, Wisconsin to Sarnia, Ontario and to increase the capacity of the existing system. The cost was estimated at \$86,000,000. Such an expenditure required a certain amount of equity financing as well as the raising of further capital through the sale of bonds. As a preliminary step to this financing it was decided to call the outstanding debentures and subdivide the capital stock on a 10 shares for 1 basis.

The debentures were called December 12, 1952 for redemption January 15, 1953 and a petition was made to Parliament to amend the Company's Special Act of Incorporation.

By January 15, 1953 all but \$18,000 principal amount of the debentures had been converted to capital stock. The holders of the remaining \$18,000 were subsequently located and as there appeared to be a valid reason in each case for their failing to convert, they were allowed to purchase the same number of shares as they would have received had they converted their debentures to stock. The amount paid for such stock was the same amount as they received for their debentures upon presenting them for redemption.

On February 11, 1953 Royal Assent was given to a Special Act of Parliament (1952-53-C.66) amending the Company's Special Act of Incorporation and subdividing the capital stock of the Company into shares of the par value of \$5 each. Immediately thereafter the new stock was listed on the Toronto and Montreal stock exchanges.

The equity financing referred to earlier took the form of a Rights offering to existing shareholders. A total of 1,439,552 shares were offered to shareholders of record February 27, 1953 at the rate of two new shares for each five shares held at a price of \$18 per share. All shares offered were sold and a total of \$25,911,936 was realized.

The balance of the required funds was raised through the sale by Interprovincial of \$60,000,000 First Mortgage and Collateral Trust Bonds, 4% Series C, due April 1, 1973. These bonds were sold privately to 37 institutional investors in 1953 pursuant to Purchase Agreements dated February 27, 1953.

As the major portion of the extension was to be constructed in the United States, it was necessary to furnish Lakehead with further funds in 1953. Before this could be done, however, Lakehead had to repay the \$5,200,000 advanced it on demand notes. Interprovincial enabled Lakehead to redeem these notes in December 1952 by purchasing a further 95,980 shares of Lakehead stock and \$2,250,000 principal amount Lakehead, 3½% Second Series First Mortgage Pipe Line Bonds due January 1, 1970.

The Company then proceeded to purchase a further 300,000 shares of Lakehead's \$50 par value stock and agreed to purchase sufficient Lakehead bonds to cover the balance of the cost of the United States construction program. A total of \$55,000,000 Lakehead First Mortgage Pipe Line Bonds, 4% Third Series due March 25, 1973 were purchased in 1953. These bonds together with the stock were immediately pledged with the Trustee.

The \$60,000,000 4% Series C Bonds that were sold by Interprovincial in 1953 were issued under the terms of the original Mortgage as supplemented and amended. The proceeds were accordingly deposited with the Trustee and withdrawn by means of Net Property Additions Certificates.

The sale of the Series C Bonds was facilitated by an undertaking given by Imperial Oil Limited on April 1, 1953 (Appendix "E"). In this undertaking, which remains in force as long as any of the Series C Bonds are outstanding, Imperial agrees that to the extent it causes crude oil from Alberta, Saskatchewan or Manitoba to be transported to Sarnia, it will tender such crude oil to Interprovincial for transportation through the pipe line system to Sarnia.

1954 financing

The expansion program undertaken in 1954 called for further financing. An additional \$30,000,000 appeared to be required and this amount was raised through the sale by Interprovincial of \$30,000,000 First Mortgage and Collateral Trust Bonds, 3½% Series D, due April 1, 1974. The Series D Bonds were issued under the terms of the original Mortgage, as supplemented and amended, and sold privately to 25 institutional investors at \$100.354 per \$100 principal amount plus accrued interest. The proceeds were accordingly deposited with the Trustee and withdrawn by means of Net Property Additions Certificates.

A further \$5,000,000 Lakehead 4% Third Series, First Mortgage Pipe Line Bonds were purchased by Interprovincial in 1954 together with \$8,000,000 Lakehead 3½% Fourth Series Bonds, due March 25, 1974.

No further financing has been required. The construction programs undertaken in 1955, 1956 and 1957 were financed from the cash resources of the Company.

Capitalization as at December 31, 1957

INTERPROVINCIAL PIPE LINE COMPANY (Consolidated)

Long Term Debts:

First Mortgage and Collateral Trust Bonds—

Authorized—no fixed limitation

	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding</u>	
Series A—3½% due January 1, 1970 payable in Canadian funds - - - - -	\$ 37,000,000	\$ 6,657,000	\$ 30,343,000	
Series B—3½% due January 1, 1970 payable in United States funds - - - - -	35,000,000	5,554,000	29,446,000	
Series C—4% due April 1, 1973 payable in United States funds - - - - -	60,000,000	3,332,000	56,668,000	
Series D—3½% due April 1, 1974 payable in United States funds - - - - -	30,000,000	850,000	29,150,000	
	<u>\$162,000,000</u>	<u>\$16,393,000</u>	<u>\$145,607,000</u>	68.6%

Capital Stock and Retained Earnings:

Capital Stock

Authorized—\$200,000,000 divided into 40,000,000 shares—

\$5 par value

Issued—5,056,533 - - - - -	\$25,282,665		
Premium on shares - - - - -	19,079,846		
Retained Earnings - - - - -	<u>22,268,332</u>	<u>66,630,843</u>	<u>31.4%</u>
Total Capitalization - - - - -		<u>\$212,237,843</u>	<u>100.0%</u>

Note: The First Mortgage and Collateral Trust Bonds payable in United States funds are recorded in the books of account in terms of Canadian currency at the rate of exchange in effect on date of issue. For purposes of this statement, however, they have been shown at par.

Operating statements 1951-1957 (inc.)

The operating and financial results for the years 1951 to 1957 inclusive are summarized in Appendix "F" hereto.

Capital stock—principal shareholders and distribution as at December 31, 1957

As at December 31, 1957 the outstanding capital stock of Interprovincial Pipe Line Company was held as follows:

Name	Number of Shares held	Per cent	
Imperial Oil Limited - - - - -	1,680,000	33.22 %	
The British American Oil Company Limited - - - - -	360,000	7.12	
Canadian Oil Companies Limited - - - - -	100,000	1.98	
Total held by oil companies - - - - -	2,140,000	42.32 %	
Others—all less than 100,000 shares - - - - -	2,916,533	57.68	
	5,056,533	100.00 %	
	Shareholders	Shares	Percent
Canada - - - - -	9,938	3,981,098	78.73 %
United States - - - - -	1,888	1,008,373	19.94
Other countries - - - - -	140	67,062	1.33
	11,966	5,056,533	100.00 %

Employees Incentive Stock Option Plan

In April, 1954, the Company asked for and secured the sanction of the shareholders to initiate an Employees Incentive Stock Option Plan whereby at the discretion of the Board of Directors unissued shares of the capital stock of the Company might be optioned to key employees. As far as Directors are concerned, their participation was limited to those who were or might be full time employees. The shareholders approved the granting of a total of 50,000 shares of Company stock under this Plan which represented slightly less than 1 % of the outstanding stock at that time.

Under the Plan stock options may be granted from time to time with the provision that they be exercised in full or in part up to April, 1964. The option price has been designated as the closing price on the Toronto Stock Exchange the day the options are granted.

Between April 1954 and January 1, 1958, 42,800 shares of the allowable total had been granted to full time key employees, leaving a balance of 7,200 shares which may be optioned at the Board's discretion between the present time and the expiration of the option period.

The underlying purpose of the Stock Option Plan was to provide some measure of future financial security for key employees who might not be able to be so compensated under today's heavy tax conditions. It was also intended that younger employees—particularly those with professional degrees—having a personal stake in the Company might thus be encouraged to remain in the employ of the Company and at the same time implement their interest in their respective positions.

ECONOMIC ASPECTS

Tariff structure and history

Interprovincial and its wholly owned United States subsidiary Lakehead Pipe Line Company, Inc. are engaged exclusively in the transportation of crude petroleum by pipe line at established tariffs.

ESTABLISHMENT OF FIRST TARIFF RATES

The rates per barrel that were established in the first instance were based on the assumption that the original pipe line system from Redwater to Superior would cost \$85,000,000. They were specifically calculated to produce a reasonable return on this investment at the initial as well as future throughputs. This was considered essential in view of the risks involved.

Crude oil pipe lines are very costly and perform only one function—the transportation of oil for account of others from established producing areas to established markets. They assist materially in developing new markets but they are not masters of their own destiny. Their economic life is entirely dependent on the life of the oil fields they serve and the demand for this crude. The discovery of oil closer to the markets served, or the sudden depletion of reserves in the oil fields to which they are connected, can be disastrous. As an example, one has only to examine the experience of Interstate Oil Pipe Line Company and Ajax Pipe Line Company in the United States.

Interstate Oil Pipe Line Company constructed a pipe line from Tulsa, Oklahoma to the Gulf of Mexico which was the logical outlet for Oklahoma crude. This line became inactive when oil was discovered in the Gulf area. Looking for an alternative market for Oklahoma crude, the Ajax system was built from Tulsa to Illinois. The capacity of the system was approximately 80,000 barrels per day and the operation was extremely successful until oil was discovered in Illinois. With this discovery that line too became inactive. Both lines were used during World War II but since then have remained relatively inactive.

Interprovincial published its first tariffs November 10, 1950 as follows:

Rates in cents (Canadian currency) per barrel

Delivery Points	From	
	Redwater	Edmonton
Edmonton, Alberta	3½	—
Rosetown, Saskatchewan	21	19
Moose Jaw, Saskatchewan	28½	26½
Regina, Saskatchewan	31	29
Souris, Manitoba	41	39
Gretna, Manitoba	46	44
Superior, Wisconsin	56	54

Tanker loading charge at Superior—3½¢ per barrel.

These rates were made up of a fixed basic charge per barrel plus an additive based on mileage. When a barrel of oil is tendered to a pipe line company for shipment certain basic expenses are immediately incurred by the company and these expenses remain constant whether the oil is shipped ten miles or one thousand miles. Expenses incurred in receiving, gauging, storing preparatory to shipping and making the necessary accounting entries are a few examples of such expenses. Practically all these expenses are repeated when the oil is delivered out of the system. It was to cover these inherent costs that the fixed basic charge per barrel was used as a component of the total charge.

The additive was arrived at by multiplying the barrel mile factor (a fraction of a cent per barrel) by the number of miles involved in the specific movement. The barrel mile factor was derived by first calculating the required annual revenue; deducting from this amount the revenue the basic charge would produce; and dividing the balance by the number of barrel miles (one barrel mile equals one barrel of oil transported

one mile) that the estimated throughputs from each receiving point to each delivery point would produce. The required annual revenue was the amount required to meet all operating expenses, service the debt, provide for depreciation and realize a reasonable profit after providing for income taxes. The results of these calculations were then plotted as a graph from which a tariff curve was developed.

It is obvious that when a fixed basic charge is included as a component of the total charge the average rate per mile is higher for short hauls than for long hauls. This was reflected in the tariff curve and also in the Company's first tariffs and is in accordance with accepted principles used in establishing tariffs for pipe lines.

The discovery of oil in Manitoba led to the installation of receiving facilities at Cromer, Manitoba and the publishing of rates on September 20, 1952 as follows:

	<u>Rate per barrel</u>
Cromer to Souris	5½¢
Gretna	13
Superior	32

REDUCTION OF TARIFF RATES, 1952

The tariffs previously listed remained in effect until October 15, 1952, when in the light of increased throughputs and the fact that the original pipe line system had been completed at a cost of \$72,000,000 (estimated \$85,000,000), the basic rates from Redwater and Edmonton to Superior were reduced by 10¢ per barrel with proportionate reductions (approximately 17%) in all other rates. The only exception was the rate from Redwater to Edmonton. This rate remained at 3½¢ per barrel until July 1, 1953 when with the advent of deliveries to Trans Mountain Oil Pipe Line Company it was reduced to 2¢ per barrel. / 3

Rates from all established receiving points to a new refinery at Wrenshall, Minnesota were published on October 15, 1952. The rates quoted were identical to Superior.

TARIFFS TO SARNIA, ONTARIO

When the extension to Sarnia was conceived it was recognized that the Company would be obliged to meet tanker competition. Therefore, the rates to Sarnia were set at 20¢ per barrel higher than corresponding rates to Superior and published on July 1, 1953. 27

ADJUSTMENT OF TARIFFS FOR SHORT HAULS, 1955

The tariffs that were established in the first instance were based on the assumption that most, if not all, of the oil that Interprovincial would be called upon to transport would be tendered at Redwater or Edmonton and that most of it would be consigned to Superior. Towards the end of 1954, however, it became apparent that substantial quantities would be tendered at Cromer, which would reduce the length of the average haul, and that additional receiving points would have to be established. The effect of these changing conditions was examined and it was determined that the established short haul rates were not producing their fair share of the total revenue. A minimum charge of 8¢ per barrel for the first 100 miles, with increases by broad steps, appeared to be indicated and this method of establishing tariffs was adopted on January 1, 1955. The rates from Cromer were adjusted to this basis but all other established rates were left unchanged.

ADDITIONAL CHARGE FOR HEAVIER CRUDES

The Interprovincial pipe line system was designed to transport light gravity crude petroleum, such as Redwater. If heavier crudes (more viscous) were also to be transported the designed capacity could only be maintained by the installation of additional and expensive facilities. The Company was quite prepared to make these modifications but felt that the shippers of the heavier crudes should bear the extra expense. Accordingly, when it became apparent that heavier crudes would be tendered for transportation,

the established rates were specifically limited to light gravity oil and an additional charge for heavier crudes was initiated. This was done on July 16, 1956.

TARIFF RATES PRESENTLY IN EFFECT

The rates per barrel presently in effect are as follows:

Rate in Cents per Barrel for Light* Crude Petroleum
(*Having an A.P.I. Gravity in Excess of 30° at 60° Fahrenheit)

Delivery Points	From					
	Redwater	Edmonton	Hardisty	Kerrobert	Regina	Cromer
Edmonton, Alberta	2	—	—	—	—	—
Milden, Saskatchewan	18½	16½	12	8	—	—
Moose Jaw, Saskatchewan	23½	21½	18	12	—	—
Regina, Saskatchewan	25½	23½	20	16	—	—
Souris, Manitoba	34	32	28	24	16	8
Gretna, Manitoba	38	36	32	28	20	12
St. Paul, Minnesota	46	44	—	38	—	28
Wrenshall, Minnesota	46	44	41	38	32	28
Superior, Wisconsin	46	44	41	38	32	28
West Branch, Michigan	61½	59½	56½	53½	47½	43½
Bay City, Michigan	63	61	58	55	49	45
Sarnia, Ontario	66	64	61	58	52	48
Clarkson, Ontario	74	72	69	66	60	56
Port Credit, Ontario	74	72	69	66	60	56

Tanker loading charge at Superior—3½¢ per barrel.

The extension of the pipe line system to Port Credit again brought Interprovincial into competition with the tanker trade. The pipe line tariffs were therefore published on July 1, 1957 at 8¢ per barrel higher than the corresponding rates to Sarnia.

The joint rates to delivery points in the United States and Ontario are payable 47% in Canadian currency and 53% in United States currency. Prior to January 1, 1956 the rates were all payable in Canadian currency. This change was made to assure the Company of a continuing supply of United States dollars with which to service its United States dollar debt and meet its operating expenses in that currency.

JOINT TARIFFS WITH OTHER CARRIERS

Rates quoted to St. Paul are joint rates with Minnesota Pipe Line Company. They were first published on June 1, 1955, and are identical to rates quoted to Wrenshall and Superior. This was done to enable Canadian crude oil to compete with American crude in the St. Paul market.

Interprovincial and Lakehead have also entered into the following joint tariffs for the transportation of medium gravity crude petroleum:

From	To	Joint Rate per barrel	Published by	Other concurring Carrier
(1) Cantuar Station, Sask.	St. Paul, Minn.	69¢	South Saskatchewan Pipe Line Company	Minnesota Pipe Line Company
(2) Cantuar Station, Sask.	Clarkson, Ont.	93¢	South Saskatchewan Pipe Line Company	—
(3) Midale Station, Sask.	St. Paul, Minn.	53¢	Westspur Pipe Line Company	Minnesota Pipe Line Company
(4) Steelman Station, Sask.	St. Paul, Minn.	50¢	Westspur Pipe Line Company	Minnesota Pipe Line Company
(5) Midale Station, Sask.	Wrenshall, Min. or Superior, Wis.	47¢	Westspur Pipe Line Company	—
(6) Steelman Station, Sask.	Wrenshall, Minn. or Superior, Wis.	44¢	Westspur Pipe Line Company	—

TARIFF SCHEDULES

The tariff schedules published by Interprovincial that are currently in effect are included herein as Appendix "G". Lakehead participates in the joint rates to delivery points in the United States and Ontario but has not had occasion to publish a tariff.

COMPLAINT OF INTERNATIONAL REFINERIES, INC.

So far as is known to Interprovincial there has been only one instance, since the enactment of The Pipe Lines Act, in which a shipper has complained to the Board of Transport Commissioners for Canada against the rates listed in a tariff published by an extra-provincial pipe line company.

This case arose in 1956 when a shipper over the Interprovincial system requested the disallowance of the published tariff rate to Wrenshall, Minnesota upon the ground that it was unjust, unreasonable and discriminatory and in violation of Section 43 of The Pipe Lines Act. The shipper's complaint further requested that the Company be declared a common carrier under the provisions of Section 39 of the Act. In a subsequent pleading the shipper alleged that the Company had no right to enter into joint tariffs with other carriers unless such carriers also operated under The Pipe Lines Act.

This complaint, in essence, challenged the right of a pipe line company operating under The Pipe Lines Act to have any flexibility in its tariffs or to quote competitive rates to compete with other modes of transportation into any given area.

The case was heard by the Board of Transport Commissioners for Canada on March 19, 20 and 21, 1957. At the conclusion of argument judgment was reserved and was subsequently delivered on April 23, 1957. The reasons for judgment are reported in 75 C.R.T.C. commencing on page 68 and are summarized on pages 75 and 76. In brief, the Board found that the Company had the power to publish competitive rates, and to enter into joint tariffs with other carriers and that the rate complained of was a fair competitive rate and did not constitute unjust discrimination as alleged. Further the Board declined, in the circumstances, to declare the Company a common carrier under the provisions of Section 39 of the Act.

The complainant moved before the rota Judge of the Supreme Court of Canada for leave to appeal to that Court from the Order of the Board of Transport Commissioners for Canada. The motion was heard by The Honourable Mr. Justice Rand on June 7, 1957 and on June 22, 1957 he delivered judgment dismissing the complainant's motion. The reasons for judgment are reported in 75 C.R.T.C. commencing at page 114.

The advisability of producing and refining companies owning shares in crude oil transmission pipe lines

It is this Company's submission that it is highly beneficial for producing or refining companies to hold shares in oil pipe line companies.

In the first place oil pipe lines do not deal with the public direct. They are the link between the producing and refining branches of the oil industry. The oil pipe line company depends entirely for its revenue upon the oil shipped over its line by its shippers, most of whom are either producers or refiners. The management of the pipe line company must at all times keep abreast of new discoveries in the producing areas, and of the requirements of the various refinery areas, as well as of new developments generally in the petroleum industry, in order to have facilities available adequate to serve the petroleum demand.

When producers or refiners are substantial shareholders of a pipe line company it is quite common for them to be represented on the pipe line company's Board of Directors. In this way the pipe line company enjoys the benefit of the knowledge and advice of competent oil company operators, has the benefit of over-all advice on the producing and marketing picture and thus has some sound basis upon which to plan for the future.

In the case of this Company the initial incentive and capital necessary to complete the planning and engineering and to commence construction was provided by Imperial Oil Limited, which company at that time owned a very large percentage of the oil theretofore discovered in Alberta. It is common practice for prospective users of a pipe line to furnish throughput guarantees or deficiency agreements to assure the success of any necessary financing of the pipe line. Imperial Oil Limited provided such guarantees in the case of Interprovincial (Appendices "C", "D" and "E").

It is only through expanding markets and the continued efforts of producing companies that new areas of petroleum are discovered. If these efforts are to be continued on an undiminished basis it is very obvious that these companies require a market for the petroleum and a means of getting the petroleum to that market. Should they be prohibited from participating in the financial ownership of transmission lines a great deal of the necessary incentive to broaden producing horizons would be stifled.

The most common, and perhaps only, criticism that could be directed against producing or refining companies holding shares in pipe line transmission companies is that through control of the pipe line company there may be a tendency to operate it for their own benefit at the expense of other shippers and the public. Insofar as oil pipe lines in Canada are concerned such a type of operation is clearly prohibited by Part II of The Pipe Lines Act, and the Board of Transport Commissioners for Canada is given full authority to regulate and control any such abuses in the unlikely event that they should ever arise.

It is also desirable that the public be given an opportunity to share in the ownership of major crude oil transmission pipe line companies and thus contribute to, and be in a position to share in the benefits of, the development of the country. In this connection it should be pointed out that the public has provided a substantial portion of the necessary funds for Interprovincial's original line and subsequent extensions. It is, therefore, essential that the interest of the private or public investor—and the incentive for attracting further private capital for extensions and new lines—be protected by a fair return on his investment. It is submitted that, in Canada, the financial data made available to him through annual reports and statistics rendered to the Dominion Bureau of Statistics is an adequate safeguard.

PROSPECTS FOR EXTENSION TO MONTREAL MARKET

Considerable comment has appeared in the press in recent months on the desirability of a pipe line to serve the Montreal refining market with Canadian crude. Because this is such a highly controversial and timely subject, Interprovincial wishes to set forth some of the facts regarding such an extension as viewed strictly from the standpoint of a pipe line company.

The refineries in the Montreal area have a present refining capacity of approximately 250,000 barrels per day. Any pipe line system to serve the Montreal area should be designed with sufficient ultimate capacity to permit it to eventually supply a market of at least this volume. While initial throughputs might be somewhat less, a pipe line system to ultimately serve a market in excess of 200,000 barrels per day to be economically sound would need to be a major diameter pipe line and would require a minimum throughput of around 150,000 barrels per day. It is only with throughputs and pipe line capacity of this nature that the most economical transportation can be provided.

Assuming for the purpose of this submission that Interprovincial would be the pipe line company to undertake the project, serving the Montreal refining market would mean not only the extension eastward of the present Interprovincial system to Montreal but also paralleling most of the present line west of Toronto in order to provide sufficient capacity for the increased throughput. It might not prove necessary to construct this entire new line all the way from Western Canada to Montreal at one time as such a system could probably be built in a step-wise expansion program; however, it would ultimately result in a third major diameter line from Western Canada to Superior, a second line from Superior to Toronto and the extension from Toronto to Montreal.

If and when a pipe line to Montreal is to be built, it is reasonable to assume that Interprovincial could logically provide the most economical transportation of crude from the western provinces. By operating and utilizing certain portions of the Company's present facilities between Edmonton and Toronto, such as rights-of-way, maintenance and patrol equipment, operating and maintenance personnel and Head Office facilities, Interprovincial could provide transportation of crude at lower cost than could a separate pipe line running direct from Alberta to Montreal.

The estimated investment required for the modification and extension of the Interprovincial facilities with capacity to provide for a 200-250,000 barrels per day market at Montreal could be up to \$240,000,000.

A major expenditure of this magnitude could only be undertaken through additional borrowing and financing outside of the Company's present resources. Before such a project could be undertaken, in order to justify this project to lending institutions and financing sources the Company would naturally need to be assured that sufficient throughput would be available. This assurance would need to be in the form of long term throughput agreements with the various refineries at Montreal, guaranteeing a minimum throughput sufficient to pay out the necessary investment for the project. Further, if the line is to be built on an economically sound basis, there would also need to be sufficient assured long term reserves of crude in Alberta, Saskatchewan and Manitoba to provide an adequate crude supply over the long range period.

The pipe line tariff necessary to support a line to Montreal would, of course, be dependent upon the line size, the estimated throughput for Montreal and, to a certain extent, the utilization of the balance of Interprovincial's system. For these reasons it is rather difficult to suggest an estimated tariff without a number of qualifying conditions. However, it is believed that for a throughput of 200,000 barrels per day to Montreal on a year-round basis, a reasonable tariff could be developed.

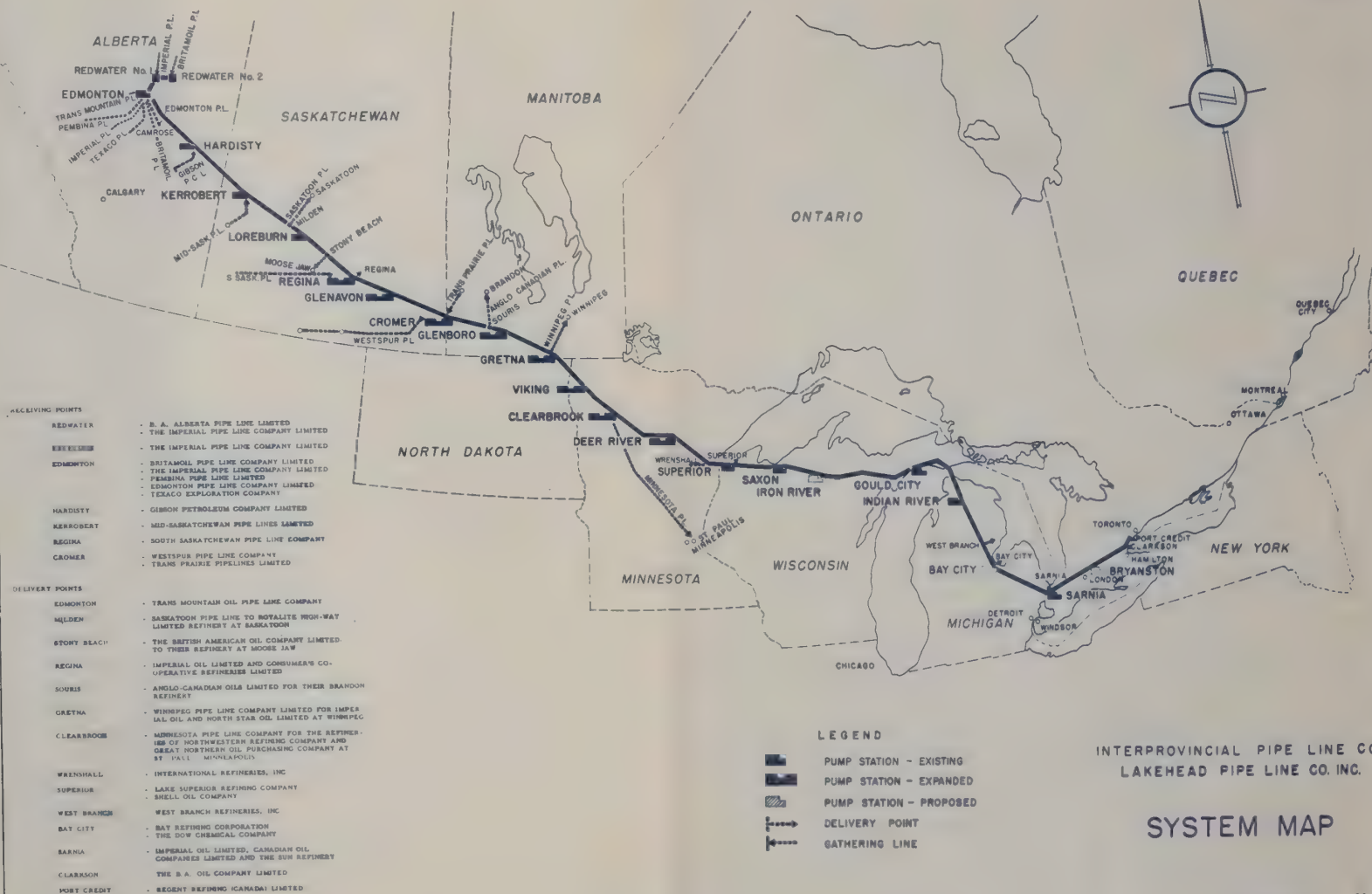
With assured long term throughput agreements with the Montreal refineries and adequate proven crude resources in the West, Interprovincial as a considered business venture would be willing to consider the extension of its pipe line facilities to serve Montreal, thus providing another major market outlet for Canadian crude oil. It will be observed that no attempt is made here to explain or outline the various economic and political problems that confront the petroleum industry in the study of this problem. It is submitted that the answers to these serious questions do not lie with the pipe line company.

THE IMPACT OF TAXATION AND ENCOURAGEMENT REQUIRED FOR INCENTIVE

The present income tax structure is such that pipe line companies are not permitted to claim capital cost allowance (depreciation) on rights-of-way. The Company has approximately \$3,000,000 invested in rights-of-way which it feels it should be allowed to amortize over a reasonable period.

Although there can be no question but that the rights-of-way or easements of a pipe line company constitute an interest in land nevertheless they differ materially from a fee simple interest. As has been mentioned in the sub-section of section 7 entitled "Tariff Structure and History" the economic life of a pipe line is uncertain depending upon the depletion of the oil fields it services and changes in markets served by those fields. Once the pipe line has lost its economic value, the rights-of-way in which it is laid are likewise valueless. Therefore, it is submitted that pipe line companies are entitled to a capital cost allowance on their rights-of-way.

APPENDICES



SUMMARY OF MAJOR 1950-57 CONSTRUCTION PROGRAMS

CONSTRUCTION YEAR (2)	PIPE LINE SECTION	DESCRIPTION OF FACILITIES	INVESTMENTS			CAPACITY AFTER COMPLETION YEARLY AV. B/D
			INTERPROVINCIAL \$ CANADIAN	LAKEHEAD \$ U.S.	CONSOLIDATED \$ CANADIAN EQUIVALENT	
1950	Redwater to Edmonton	Main Line - 31 Mi. 16") Stations - Redwater No. 1, 915 H.P. - No. 2, 507 H.P.) Tankage - Redwater No. 1, 192,000 Bbl.)	1,444,000 332,000 348,000		1,444,000 332,000 348,000	87,000
	Edmonton to Regina	Main Line - 439.0 Mi.) Stations - Edmonton 4,800 H.P., MacRobert 4,800 H.P.) Tankage - Edmonton 840,000 Bbl., Stony Beach 48,000 Bbl., Rosetown Take-off.)	22,086,000 2,749,000 1,223,000		22,086,000 2,749,000 1,223,000	103,900
	Regina to Cretna	Main Line - 297.2 Mi. 16" - 37.1 Mi. 18") Stations - Regina 3,600 H.P., Cromer 3,600 H.P.) Tankage - Regina 252,000 Bbl., Brandon 28,000 Bbl.) Cretna 168,000 Bbl.)	14,227,000 2,326,000 800,000		14,227,000 2,326,000 800,000	69,000
	Cretna to Superior	Main Line - 326.0 Mi. 18") Stations - Cretna 3,600 H.P., Clearbrook 2,700 H.P.) Tankage - Superior 1,800,000 Bbl.)	68,000 1,279,000 -	11,279,000 1,201,000 4,220,000	14,741,000 2,606,000 4,663,000	70,000
	Others		5,470,000		5,530,000	13,000 (1)
	TOTAL		52,394,000	18,754,000	73,117,000	
1951	Redwater to Edmonton	Station - Excelsior 202 H.P.) Tankage - Excelsior 10,000 Bbl.)	97,000		97,000	90,000
	Edmonton to Regina	Stations - Hardisty 3,600 H.P. - Loreburn 3,600 H.P.) Tankage - Edmonton 28,000 Bbl.)	2,505,000 168,000		2,505,000 168,000	147,800
	Regina to Cretna	Stations - Glenavon 3,600 H.P. - Glenboro 3,600 H.P.)	2,687,000		2,687,000	99,500
	Cretna to Superior	Station - Viking 1,800 H.P.) Tankage - Superior 2,604,000 Bbl.)	-	1,058,000 3,285,000	1,169,000 3,625,000	78,100 31,700 (1)
	Others		193,000		297,000	
	TOTAL		5,650,000	4,437,000	10,548,000	
1952	Redwater to Edmonton	Station - Redwater No. 1, 305 H.P.) Tankage - Redwater No. 1, 56,000 Bbl., No. 2, 135,000 Bbl.)	88,000 139,000		88,000 139,000	112,000
	Edmonton to Regina	Main Line - 2nd Crossing S. Sask. R.) Station - Hardisty 1,200 H.P., Loreburn 1,200 H.P.) Tankage - Edmonton 224,000 Bbl.) Milden 80,000 Bbl.) Stony Beach 18,000 Bbl.)	803,000 403,000 700,000 138,000 62,000		803,000 403,000 700,000 138,000 62,000	153,000
	Regina to Cretna	Main Line - 99.9 Mi. 16" (in 4 loops)) Tankage - Regina 80,000 Bbl., Cromer 10,000 Bbl.)	5,226,000 211,000		5,226,000 211,000	116,300
	Cretna to Superior	Station - Deer River 1,800 H.P.) Tankage - Superior 651,000 Bbl., Wrenshall 112,000 Bbl.)	-	979,000 1,020,000	1,008,000 1,020,000	109,000 36,400 (1)
	Others		225,000		126,000	
	TOTAL		8,015,000	2,111,000	10,183,000	
1953	Edmonton to Regina	Stations - Camrose 700 H.P., Provost 700 H.P., Milden 700 H.P., Chamberlain 700 H.P.)	578,000		578,000	170,300
	Regina to Cretna	Main Line - 133.7 Mi. 24" (in 4 loops))	7,791,000		7,791,000	140,900
	Cretna to Superior	Stations - Viking 1,800 H.P., Clearbrook 900 H.P.) Deer River 1,800 H.P.)	-	905,000	892,000	120,100
	Superior to Sarnia	Main Line - 640.5 Mi. 30") - 3.8 Mi. 2 - 20")	1,397,000	66,856,000	67,361,000	110,000
	Others	Station - Superior 5,180 H.P.) Tankage - Superior Tank Lines) Sarnia Terminal)	- 49,000	2,007,000	1,980,000 49,000	
	Others		1,203,000		1,357,000	
	TOTAL		11,018,000	69,925,000	80,008,000	

CONSTRUCTION YEAR (2)	PIPE LINE SECTION	DESCRIPTION OF FACILITIES	INVESTMENTS			CAPACITY AFTER COMPLETION YEARLY AV. B/D
			INTERPROVINCIAL \$ CANADIAN	LAKEHEAD \$ U.S.	CONSOLIDATED \$ CANADIAN EQUIVALENT	
1954	Edmonton to Regina	Main Line - 356.2 Mi. 24" (in 4 Loops)) Tankage - Edmonton 320,000 Bbl.)	20,732,000 855,000		20,732,000 855,000	217,900
	Regina to Cretna	Main Line - 100.8 Mi. 24" (in 5 Loops)) Stations - Regina 4,800 H.P., Glenavon 4,800 H.P.) Cromer 5,000 H.P., Glenboro 4,080 H.P.) Tankage - Regina 268,000 Bbl.) Cromer 72,000 Bbl.) Cretna 168,000 Bbl.)	6,496,000 4,055,000 566,000 189,000 700,000		6,496,000 4,055,000 566,000 189,000 700,000	191,600
	Cretna to Superior	Main Line - 195.4 Mi. 26" (in 4 Loops)) Stations - Cretna 4,080 H.P., Viking 4,000 H.P.) Clearbrook 4,000 H.P., Deer River 4,000 H.P.)	1,009,000	11,517,000	3,626,000	162,400
	Superior to Sarnia	Station - Sarnia 5,280 H.P.)	-	1,461,000	1,427,000	148,200
	Others		1,782,000		363,000	
	TOTAL		36,384,000	16,020,000	52,030,000	
1955	Cretna to Superior	Tankage - Clearbrook 60,000 Bbl.)	-		137,000	
	Others		327,000		362,000	
	TOTAL		327,000		519,000	
1956	Regina to Cretna	Main Line - 67.3 Mi. 24" (in 2 Loops)) Stations - Cretna 2,040 H.P., Glenboro 2,040 H.P.) Tankage - Cromer 568,000 Bbl.)	4,420,000 250,000 1,876,000		4,420,000 250,000 1,876,000	268,900
	Cretna to Superior	Main Line - 52.2 Mi. 26" (in 2 Loops))	98,000	2,762,000	2,825,000	237,400
	Superior to Sarnia	Stations - Indian River 4,400 H.P.)	-	718,000	687,000	208,800
	Others		237,000		344,000	
	TOTAL		6,881,000	3,589,000	10,402,000	
1957	Edmonton to Regina	Stations - Edmonton 700 H.P., Hardisty 700 H.P.) MacRobert 700 H.P., Loreburn 700 H.P.)	69,000		69,000	235,000
	Regina to Cretna	Main Line - 32.6 Mi. 24" (in 2 Loops)) Stations - Regina 2,040 H.P., Glenboro 2,040 H.P.) Tankage - Cromer 96,000 Bbl.)	2,481,000 518,000 277,000		2,481,000 518,000 277,000	326,500
	Cretna to Superior	Main Line - 78.4 Mi. 26" (in 3 Loops)) Stations - Cretna 2,040 H.P., Viking 2,000 H.P.) Clearbrook 2,000 H.P.)		5,497,000	5,249,000	152,400
	Superior to Sarnia	Station - Gould City 4,400 H.P.)	256,000	548,000	784,000	
	Sarnia to Port Credit	Main Line - 156 Mi. 20" Extension) Stations - Sarnia 1,300 H.P.) Tankage - Sarnia 480,000 Bbl.)	11,238,000 861,000 938,000		11,238,000 861,000 938,000	138,000
	Others		456,000		485,000	
	TOTAL		17,092,000	6,947,000	23,739,000	
	GRAND TOTAL		137,761,000	121,978,000	260,546,000 (3)	

NOTES:

- (1) For 134 Days of winter only (no navigation).
 (2) Year during which construction was initiated.
 Construction normally completed in early months of following year.
 (3) Total exceeds investment in fixed assets as of December 31, 1957 of \$256,966,324 because of 1957 construction projects being carried into 1958, retirements, etc.

THROUGHPUT AGREEMENT

AGREEMENT made as of the first day of October, 1949.

BETWEEN:

IMPERIAL OIL LIMITED, a company incorporated under the laws of Canada, with head office at the City of Sarnia, in the Province of Ontario,
hereinafter called "Imperial"

OF THE FIRST PART,

— and —

INTERPROVINCIAL PIPE LINE COMPANY, a company incorporated by Special Act of the Parliament of Canada, 13 George VI, Chapter 34, with head office at the City of Edmonton, in the Province of Alberta,
hereinafter called "Interprovincial"

OF THE SECOND PART

WHEREAS Imperial has developed production of crude petroleum in the vicinity of the City of Edmonton, Alberta, and has requested Interprovincial to construct a pipe line system for the transportation of crude petroleum from Edmonton, Alberta, via Regina, Saskatchewan, to Superior, Wisconsin, which pipe line will have an initial average capacity of 95,000 barrels per day in the Edmonton-Regina section and 70,000 barrels per day in the Regina-Superior section;

AND WHEREAS Interprovincial, in order to finance the construction of such pipe line system and for working capital is required to borrow funds in the estimated amount of approximately \$90,000,000 and, to enable it to borrow such funds, requires assurance of utilization of its pipe line system;

AND WHEREAS the American section of said pipe line from the International boundary in the vicinity of the Village of Gretna, Manitoba, to the City of Superior, Wisconsin, will be owned by Lakehead Pipe Line Company, Inc., (hereinafter called "Lakehead"), a Delaware company, which is a wholly owned subsidiary of Interprovincial;

AND WHEREAS by Deed of Mortgage and Trust dated as of the first day of October, 1949, made between Interprovincial, of the first part, and The Royal Trust Company, as Trustee, of the second part, provision has been made for the issue by Interprovincial of First Mortgage and Collateral Trust Bonds to be secured by a first fixed and specific mortgage and charge upon certain of the assets of Interprovincial including that part of the said pipe line system owned by Interprovincial, and bonds of Lakehead secured by a First Mortgage on that part of the pipe line system owned by Lakehead, and by a first floating charge upon all other property and assets of Interprovincial both present and future;

AND WHEREAS \$72,000,000 principal amount of the said Bonds have been authorized for immediate issue;

AND WHEREAS by a Trust Indenture dated as of the first day of October, 1949, made between Interprovincial, of the first part, and The Royal Trust Company, as Trustee, of the second part, provision has been made for the issue by Interprovincial of Convertible Debentures, to an aggregate principal amount not exceeding \$25,000,000 of which \$17,000,000 principal amount have been authorized for immediate issue;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the premises and of the mutual covenants and considerations hereinafter set forth, the parties hereto have agreed as follows:

1. It is agreed that for the purpose of this Agreement the operation of said pipe line system from Edmonton to Superior shall be deemed to be one enterprise, and that reference to the operations of Interprovincial shall be deemed to include the operations of Interprovincial and Lakehead on a consolidated basis.

2. Interprovincial hereby agrees to construct or cause to be constructed the pipe line system above referred to and further agrees that from and after completion of the said pipe line system and during the life of this Agreement, and subject to such common carrier obligations as are applicable, and to the laws

appertaining thereto, and subject to delays, accidents or other occurrences beyond its reasonable control, it will maintain or cause to be maintained the said pipe line system and cause the same to be operated as a common carrier, and will make transportation through said pipe line system available to Imperial.

3. Imperial agrees that there will be physically tendered by Imperial and/or others for shipment through the said pipe line system during each calendar year beginning with the calendar year 1951 crude petroleum in such quantities as will be sufficient to provide and at such times as will permit an average daily throughput for such calendar year of 59,673,000 barrel miles.

4. All shipments made by Imperial through Interprovincial's said pipe line system shall be at the applicable regular published tariff rates and shall be at the same rates and subject to the same requirements as to quality and specifications as those fixed and established for shippers generally without any special rate, rebate, drawback or any other arrangement, and without any unjust discrimination or any undue or unreasonable preference in favour of any particular person, company, corporation, or locality or any particular description of traffic in any respect whatsoever.

5. If in any calendar year, beginning with the calendar year 1951, the total amount of crude petroleum physically tendered by Imperial and/or by others to Interprovincial for transportation through the said pipe line system shall fall below a quantity of crude petroleum sufficient to provide and to permit as hereinabove stipulated, an average daily throughput of 59,673,000 barrel miles, Interprovincial shall, not later than the 15th day of February of the next following calendar year, furnish to Imperial a statement showing the amount of such deficiency and within fifteen (15) days following the date of the furnishing of such statement Imperial shall pay to Interprovincial in cash, an amount computed by multiplying the number of barrel miles shown by such statement as being the amount of the deficiency by the weighted average tariff rates per barrel mile charged or chargeable by Interprovincial during the said calendar year.

6. Interprovincial's obligations in respect of any crude petroleum tendered for shipment by Imperial shall be only that of a common carrier, and Interprovincial shall be required to transport only so much of the crude petroleum offered for shipment by Imperial as it would be required to transport were this Agreement not in existence.

7. Notwithstanding anything herein contained, if at any time or times during any calendar year beginning with the year 1951, Interprovincial shall for any reason be prevented from operating or be unable to operate its pipe line system after completion thereof so that the entire system is closed down for a period of more than ten consecutive days, then all days in each such period during which the said system shall not be operated shall be excluded when calculating for the purposes of this Agreement the average daily throughput for such calendar year.

8. This Agreement shall take effect as of this date and shall continue until December 31, 1970.

9. This Agreement shall enure to the benefit of and be binding upon the parties hereto, their respective successors and assigns.

IN WITNESS WHEREOF this Agreement has been executed by the parties hereto under their respective corporate seals and the hands of their proper officers duly authorized in that behalf.

IMPERIAL OIL LIMITED

J. R. WHITE, *Vice-President*

P. F. EGERTON, *Assistant-Secretary*

(CORPORATE
SEAL)

INTERPROVINCIAL PIPE LINE COMPANY

OLIVER B. HOPKINS, *President*

R. D. MURRAY, *Secretary*

(CORPORATE
SEAL)

THREE-PARTY AGREEMENT

AGREEMENT made as of the first day of October, 1949.

BETWEEN:

IMPERIAL OIL LIMITED, a company incorporated under the laws of Canada, with head office at the City of Sarnia, in the Province of Ontario,
hereinafter called "Imperial"

OF THE FIRST PART,

— and —

INTERPROVINCIAL PIPE LINE COMPANY, a company incorporated by Special Act of the Parliament of Canada, 13 George VI, Chapter 34, with head office at the City of Edmonton, in the Province of Alberta,
hereinafter called "Interprovincial"

OF THE SECOND PART,

— and —

THE ROYAL TRUST COMPANY, a company incorporated by Special Act of the Legislature of the Province of Quebec, with head office at the City of Montreal in said Province,
hereinafter called "the Trustee"

OF THE THIRD PART.

WHEREAS Imperial has developed production of crude petroleum in the vicinity of the City of Edmonton, Alberta, and has requested Interprovincial to construct a pipe line system for the transportation of crude petroleum from Edmonton, Alberta, via Regina, Saskatchewan, to Superior, Wisconsin;

AND WHEREAS Interprovincial has agreed to construct the said pipe line system and proposes to finance the cost of construction thereof by the sale of the Bonds and Debentures hereinafter referred to;

AND WHEREAS the American section of said pipe line from the International boundary in the vicinity of the Village of Gretna, Manitoba, to the City of Superior, Wisconsin, will be owned by Lakehead Pipe Line Company, Inc., (hereinafter called "Lakehead"), a Delaware company, which is a wholly owned subsidiary of Interprovincial;

AND WHEREAS by Deed of Mortgage and Trust dated as of the first day of October, 1949, made between Interprovincial, of the first part, and The Royal Trust Company, as Trustee, of the second part, (hereinafter referred to as the "First Mortgage Trust Deed") provision has been made for the issue by Interprovincial of First Mortgage and Collateral Trust Bonds (hereinafter referred to as the "Bonds") to be secured by a first fixed and specific mortgage and charge upon certain of the assets of Interprovincial including that part of the said pipe line system owned by Interprovincial, and bonds of Lakehead secured by a First Mortgage on that part of the pipe line system owned by Lakehead, and by a first floating charge upon all other property and assets of Interprovincial both present and future;

AND WHEREAS \$72,000,000 principal amount of the Bonds have been authorized for immediate issue, of which Bonds to the aggregate principal amount of \$37,000,000 payable in Canadian currency have been authorized for issue as, and are hereinafter referred to as, Series A Bonds and Bonds to the aggregate principal amount of \$35,000,000 payable in United States currency have been authorized for issue as, and are hereinafter referred to as Series B Bonds;

AND WHEREAS by a Trust Indenture dated as of the first day of October, 1949, made between Interprovincial, of the first part, and The Royal Trust Company, as Trustee, of the second part, (hereinafter referred to as the "Trust Indenture") provision has been made for the issue by Interprovincial of Convertible Debentures (hereinafter referred to as "Debentures") to an aggregate principal amount not exceeding \$25,000,000 of which Debentures to the aggregate principal amount of \$17,000,000 have been authorized for immediate issue as 4% Sinking Fund Debentures Series A (hereinafter referred to as Series A Debentures);

AND WHEREAS Imperial and Interprovincial have entered into an Agreement dated as of the first day of October, 1949, (hereinafter called the "Throughput Agreement") a copy of which is hereto attached as Schedule "A", under which, inter alia, Imperial has agreed that there will be physically tendered by Imperial and/or others for shipment through the pipe line system during each calendar year beginning with the calendar year 1951 such quantities of crude petroleum as will be sufficient to provide an average daily throughput of 59,673,000 barrel miles;

AND WHEREAS it was a condition to the execution of the said First Mortgage Trust Deed and Trust Indenture that this Agreement would be executed and delivered by the parties hereto;

AND WHEREAS the foregoing recitals are made as representations and statements of fact by Imperial and Interprovincial and not by the Trustee;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the premises and of the mutual covenants and considerations hereinafter set forth, the parties hereto have agreed as follows:

1. This Agreement is entered into by Imperial and Interprovincial with the Trustee as Trustee under the First Mortgage Trust Deed and as Trustee under the Trust Indenture for the benefit of the holders of all of the Series A and/or Series B Bonds and/or Series A Debentures from time to time issued and outstanding under the First Mortgage Trust Deed and the Trust Indenture respectively.

2. For the purposes of this Agreement, "deficiency" shall mean any amount by which Interprovincial for any reason whatsoever (including without limiting the generality of the foregoing the failure of the Throughput Agreement to produce sufficient revenue) and whether or not caused by or resulting from any act, omission or circumstance within the control of Imperial and/or Interprovincial, shall fail or be unable to make payment in full in cash in the required currency, promptly as and when the same shall become due, (whether on a declaration or at maturity or otherwise) of any and all amounts at any time and from time to time required to be paid by Interprovincial for principal of, interest or redemption premium on and/or sinking fund payments in respect of any of the Series A and/or Series B Bonds and/or Series A Debentures for the time being outstanding and/or any other amounts required to be paid by Interprovincial under the First Mortgage Trust Deed and/or the Trust Indenture, except amounts required to be paid for principal of, interest or redemption premium on and/or sinking fund payments in respect of any other series of Bonds and/or Debentures.

3. If at any time and from time to time, so long as any of the Series A and/or Series B Bonds and/or Series A Debentures are outstanding, a deficiency as defined in paragraph 2 hereof shall occur or be anticipated the amount of such deficiency shall be provided by Imperial through the purchase by it of promissory notes of Interprovincial as hereinafter provided. The failure or inability of Interprovincial for any reason to deliver promissory notes at any time and from time to time when thereunto required as hereinafter provided shall not relieve Imperial of its obligation to make any payment or payments as hereinafter provided but the making of any such payment or payments by Imperial shall be without prejudice to Imperial's legal rights against Interprovincial in respect of such non-delivery.

4. Not less than fifteen days before each payment in respect of which a deficiency exists or is anticipated falls due, Interprovincial shall give notice in writing (hereinafter referred to as a "notice of deficiency") to Imperial and to the Trustee specifying the nature and date of such payment, the details and total amount of such deficiency, and the amount thereof payable in each currency in which the same is payable, and thereupon, not later than the business day immediately prior to the date when the payment in respect of which the notice of deficiency is given falls due, Imperial shall purchase at par from Interprovincial, and Interprovincial shall issue and deliver to Imperial, a promissory note or promissory notes (hereinafter referred to as "Notes") of Interprovincial having the attributes and being subject to the provisions hereinafter set forth in a principal amount equal to the Canadian currency equivalent of the amount of the deficiency. All amounts paid by Imperial upon the purchase of Notes by it shall be applied by Interprovincial towards the payment or payments with respect to which notice of deficiency shall have been given by Interprovincial or if the Trustee shall so direct by notice in writing to Imperial and Interprovincial such amounts shall be paid by Imperial directly to the Trustee.

5. In the event of any failure of Interprovincial to make when due any of the payments referred to in paragraph 2 the Trustee may itself (and shall upon request in writing of Imperial) give notice of deficiency to Imperial and to Interprovincial (whether or not a notice of deficiency shall have been given by Interprovincial pursuant to paragraph 4) and a notice of deficiency given by the Trustee (hereinafter sometimes referred to as a "Trustee's notice") shall require Notes of an aggregate principal amount equal to the Canadian currency equivalent of the amount of the deficiency specified therein to be delivered by Interprovincial to the Trustee for account of Imperial and payment of such principal amount to be made by Imperial to the Trustee on the business day next following the day on which such Trustee's notice is given. Upon the giving of a Trustee's notice, Interprovincial shall become obligated to deliver Notes in conformity therewith and Imperial shall become obligated to make the payment required thereby. As provided in paragraph 3 Imperial's obligation to make such payment shall not be dependent or contingent upon the delivery of such Notes and the making of such payment shall be without prejudice to Imperial's legal rights against Interprovincial in the event of non-delivery.

6. Any and all amounts paid to the Trustee pursuant to paragraph 4 or 5 hereof shall be applied towards the payment or payments with respect to which notice of deficiency shall have been given by Interprovincial or by the Trustee as the case may be.

7. Notes issued by Interprovincial and purchased by Imperial pursuant to the provisions of this Agreement shall be dated as of the date of payment therefor by Imperial and shall bear interest at the rate of $2\frac{1}{2}\%$ per annum until the principal thereof has been paid in full. In the subsequent portions of this paragraph a calendar year in which there shall be a deficiency as defined in paragraph 2 is referred to as a "deficiency year". Notes issued in respect of deficiencies arising in the first deficiency year shall be payable on demand at any time after the retirement, whether by payment at maturity or on redemption or otherwise, of all the Series A and Series B Bonds and the Series A Debentures. Notes issued in respect of deficiencies arising in the second deficiency year shall be payable on demand at any time after the lapse of one year from the earliest date on which payment of the Notes issued in respect of deficiencies arising in the first deficiency year could have been demanded as hereinbefore provided, and so on with respect to Notes issued in respect of deficiencies arising in succeeding deficiency years. None of the Notes shall be issued carrying the benefit of any security upon any of the property or assets of Interprovincial or otherwise. All notes at the time of issue thereof shall be stamped with an appropriate reference, in form approved by the Trustee, to the subordination and postponement effected by paragraph 9 of this Agreement and all subsequent assignments, transfers and other dispositions of such Notes shall be made subject to this Agreement.

8. Interprovincial shall have the right at any time and from time to time, but only if it shall not be in default under any of the provisions of the First Mortgage Trust Deed and/or of the Trust Indenture and/or of any of the Bonds and/or Debentures, to prepay in whole or in part the principal of any of the Notes, provided that the aggregate of such prepayments in any calendar year shall not exceed an amount equal to twenty-five per cent (25%) of the consolidated net earnings (as hereinafter defined) of Interprovincial and its subsidiaries for the immediately preceding calendar year and provided further that so long as any Series A and/or Series B Bonds and/or Series A Debentures are outstanding Interprovincial will not prepay any of the said Notes in whole or in part unless or until it shall have given notice in writing to the Trustee of its intention to do so which notice shall be given not less than fifteen days nor more than forty-five days in advance of such prepayment. For the purposes of this paragraph "consolidated net earnings" means all the gross earnings and income of Interprovincial and its subsidiaries from all sources less all administrative and operating charges and expenses of every character and all fixed charges including reasonable provision for depreciation, interest on all bonds, debentures, bank and other loans and indebtedness (including the Notes) and amounts paid or required to be paid in respect of any sinking fund for such bonds, debentures, loans and indebtedness aforesaid to the extent that such amounts in respect of sinking fund exceed the amount of the reasonable provision for depreciation aforesaid, and less also proper provision for taxes on income, the whole consolidated in accordance with sound accounting practices and as certified by Interprovincial's auditors. Without limitation of the generality of the foregoing, operating expenses shall include insurance, maintenance, repairs, renewals (except to the

extent that the same are properly chargeable to capital account), rentals, licenses, taxes and such reserve for bad and doubtful debts as the Directors in their discretion with the approval of Interprovincial's auditors may determine.

9. Notwithstanding anything herein contained no payments of or on account of the principal of or interest on any of the Notes shall be made at any time when Interprovincial is in default in any payment of or on account of the principal of or interest (including interest on overdue interest) on or any sinking fund payment in respect of any of the Bonds and/or Debentures of any series issued and outstanding under the First Mortgage Trust Deed or the Trust Indenture and in the event of any proceedings being taken for the enforcement of any of the provisions of the First Mortgage Trust Deed and/or the Trust Indenture or the realization of the security thereby provided payment of the principal of and interest on the Notes shall be subordinated and postponed to the payment in full of all amounts owing for principal of and interest (including interest on overdue interest) on all of such Bonds and Debentures for the time being outstanding.

10. No payment by Imperial pursuant to the provisions of this Agreement shall entitle it to be subrogated to any of the rights of the Trustee or of the holders of any of the Bonds and/or Debentures under the First Mortgage Trust Deed or the Trust Indenture.

11. The obligations of Imperial and of Interprovincial hereunder shall be several independent and continuing obligations and a fresh cause of action shall be deemed to arise whenever and so often as Imperial and/or Interprovincial shall commit any breach of or be in default under any of its or their covenants or obligations hereunder, and the right of the Trustee to enforce the terms of this Agreement whether by legal proceedings or otherwise shall be in no way conditional or dependent upon the Trustee having exercised or exhausted all or any of its rights or remedies under the First Mortgage Trust Deed and/or the Trust Indenture or otherwise.

12. The obligations and liability of Imperial hereunder shall not be released, discharged or in any way affected by any release, discharge, loss or alteration in or dealing with any of the property of Interprovincial under the First Mortgage Trust Deed or the Trust Indenture or by anything done, permitted or omitted by the Trustee or by the holders of the Bonds and/or Debentures or any of them in relation to, or any compromise, arrangement or plan of reorganization affecting, Interprovincial or its property or by time being given to Interprovincial by the Trustee or by the holders of the Series A and/or Series B Bonds and/or the Series A Debentures or any of them or by any change, alteration or modification of the First Mortgage Trust Deed and/or of the Trust Indenture or by any other act or proceeding in relation to the First Mortgage Trust Deed and/or the Trust Indenture, provided that nothing hereinbefore contained shall prevent any change, alteration or modification of this Agreement which is consented to by extraordinary resolution of the holders of the Series A and/or B Bonds and/or Series A Debentures whose rights are or may be affected by any such change, alteration or modification and provided further that the obligations and liabilities of Imperial hereunder shall not be increased without its consent.

13. In the event of a new trustee being appointed under the First Mortgage Trust Deed or under the Trust Indenture or both such new trustee shall be deemed to be added to or substituted for, as the case may be, the Trustee named in this Agreement and the parties hereto shall execute and deliver such instruments as shall be requisite or desirable in the circumstances:

14. Imperial hereby acknowledges communication of and consents to all the provisions of the First Mortgage Trust Deed and of the Trust Indenture.

15. Imperial and Interprovincial hereby jointly and severally covenant and agree with the Trustee that except with the consent in writing of the Trustee the Throughput Agreement in the terms of the copy thereof hereto annexed as Schedule "A" will be continued in force without amendment or modification during the entire period specified in the said Agreement, that all payments required to be made thereunder from time to time will be promptly made in full as and when the same become due and that all other terms and provisions of the said Agreement will be carried out and complied with in all material respects.

16. Interprovincial covenants and agrees with Imperial that to the extent that there are funds available in its hands or reasonably obtainable by it from Lakehead and/or any other Subsidiary or Sub-Subsidiary of Interprovincial it will so manage its affairs that deficiencies will not arise; provided that Interprovincial's failure to comply with the provisions of this paragraph 16 shall not in any way relieve Imperial of any of its obligations under this Agreement.

17. This Agreement shall enure to the benefit of the holders of all of the Series A and/or Series B Bonds and/or Series A Debentures from time to time issued and outstanding under the First Mortgage Trust Deed and the Trust Indenture respectively and shall enure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

IN WITNESS WHEREOF this Agreement has been executed by the parties hereto under their respective corporate seals and the hands of their proper officers duly authorized in that behalf.

IMPERIAL OIL LIMITED

by

J. R. WHITE, *Vice-President* (CORPORATE)
P. F. EGERTON, *Assistant-Secretary* SEAL

INTERPROVINCIAL PIPE LINE COMPANY

by

OLIVER B. HOPKINS, *President* (CORPORATE)
R. D. MURRAY, *Secretary* SEAL

THE ROYAL TRUST COMPANY

by

W. ARCHER, *Assistant Manager* (CORPORATE)
AUBREY MUNDY, *Secretary* SEAL

THIS AGREEMENT made in duplicate the 14th day of April, A.D. 1953;

BETWEEN:

IMPERIAL OIL LIMITED, a Company incorporated under the laws of Canada, with head office at the City of Sarnia, Province of Ontario,

hereinafter called "Imperial"

OF THE FIRST PART:

— and —

INTERPROVINCIAL PIPE LINE COMPANY—a Company incorporated by Special Act of the Parliament of Canada, 13 George VI, Chapter 34, with head office at the City of Edmonton, Province of Alberta,

hereinafter called "Interprovincial"

OF THE SECOND PART.

WHEREAS Interprovincial proposes to extend its crude oil pipe line system from its present terminus at Superior, Wisconsin, U.S.A., to Sarnia, Ontario, Canada, and to make additions to its present crude oil pipe line system; and

WHEREAS Imperial as a producer and refiner of crude oil will benefit as a result of the aforesaid construction programme; and

WHEREAS Interprovincial proposes to finance the aforesaid construction programme in part by the issuance and sale of \$60,000,000 (U.S. currency) aggregate principal amount of its 4% First Mortgage and Collateral Trust Bonds, Series C, due April 1, 1973 (hereinafter called the "Bonds"); and

WHEREAS the prospective purchasers of the Bonds have demanded as a condition to their obligation to purchase and pay for such Bonds, that Imperial enter into an agreement to the effect that, so long as any of the Bonds are outstanding, it will, if and to the extent that it is shipping crude oil from the Prairie Province fields eastward to Sarnia, tender such oil for shipment through the pipe line facilities of Interprovincial if and to the extent that such facilities are available for such shipment.

NOW THEREFORE THIS AGREEMENT WITNESSETH as follows:

(1) Imperial covenants and agrees that if and to the extent that it is causing to be transported crude oil, produced or purchased by it in the Provinces of Alberta, Saskatchewan or Manitoba, eastward to Sarnia, it will tender such crude oil to Interprovincial for transportation through Interprovincial's crude oil pipe line system to its terminal at Sarnia; provided, however, that:

(a) Imperial's obligation hereunder is conditional upon completion and operation by Interprovincial of its pipe line facilities to provide pipe line transportation from Edmonton, Alberta to Sarnia, Ontario;

(b) Imperial's obligation hereunder will be limited or modified to the extent necessary in order to comply with all laws, regulations, orders, or directives of or by any government, municipality, governmental board or commission, or other body having jurisdiction over either of the parties hereto or the facilities or crude oil referred to herein; and

(c) Imperial will be relieved of its obligation to tender crude oil to Interprovincial under the terms of this Agreement if and to the extent that Interprovincial advises Imperial from time to time of any limitations upon the volume or quality of crude oil which Interprovincial will accept from Imperial and if and to the extent that Interprovincial's pipe line facilities are not available to Imperial for shipment of crude oil to Sarnia.

(2) This Agreement shall not affect or modify Interprovincial's right or obligation to operate its crude oil pipe line system as a common carrier and Interprovincial shall be required to transport only so much of the crude oil tendered for shipment by Imperial as Interprovincial would be required to

transport were this Agreement not in existence. All shipments made by Imperial through the pipe line system shall be at the applicable regular published tariff rate and shall be at the same rates and subject to the same requirements as to quality and specifications as those fixed and established for shippers generally without any special rate, rebate, drawback or any other arrangement, and without any unjust discrimination against, or any undue or unreasonable preference in favour of, Imperial in any respect whatsoever.

(3) This Agreement shall take effect on January 1, 1954 or thirty days after the commencement of operation by Interprovincial of its pipe line facilities to provide pipe line transportation from Edmonton, Alberta to Sarnia, Ontario, whichever shall last occur, and shall continue in full force and effect and shall not be amended or terminated by either or both parties hereto so long as any of the Bonds are outstanding; provided, however, that this Agreement may be amended or terminated by either party at any time with the consent of the holders of the Bonds as evidenced by extraordinary resolution of such holders pursuant to Section 16.15 of the Indenture hereinafter mentioned or by consent in writing of the holders of $66\frac{2}{3}\%$ in principal amount of the Bonds at the time outstanding.

(4) The agreements and obligations on the part of Imperial herein contained are taken and held by Interprovincial not only for its own benefit and the benefit of its successors and assigns but also for the benefit of and in trust for the holders of all of the Bonds from time to time issued and outstanding and of and for The Royal Trust Company, Trustee under the Indenture hereinafter mentioned, for the benefit of such holders; and this Agreement shall enure to the benefit of the said holders and Trustee and shall enure to the benefit of and be binding upon the parties hereto, their respective successors and assigns.

(5) This Agreement shall in no manner whatsoever alter or affect the Throughput Agreement or the Three-Party Agreement referred to in the Indenture under which the Bonds are issued, and, in particular, without limiting the generality of the foregoing, this Agreement shall not extend the duration of the aforesaid Throughput Agreement or of the aforesaid Three-Party Agreement, and said Agreements shall remain in full force and effect as if this Agreement were not in existence.

IN WITNESS WHEREOF the parties hereto have hereunto set their corporate seals duly attested by their proper officers in that behalf, the day and year first above written.

IMPERIAL OIL LIMITED

F. G. HALL, *Vice-President*

J. C. NEALE, *Assistant Secretary*

(CORPORATE
SEAL)

INTERPROVINCIAL PIPE LINE COMPANY

T. S. JOHNSTON, *President*

W. A. HARE, *Secretary*

(CORPORATE
SEAL)

I N T E R P R O V I N C I A L P I P E L I N E C O M P A N Y

A N D S U B S I D I A R Y C O M P A N I E S

(Consolidated)

O P E R A T I N G A N D F I N A N C I A L S U M M A R Y F R O M I N C E P T I O N O F O P E R A T I O N S

OPERATING:	1951	1952	1953	1954	1955	1956	1957
Revenue barrels delivered—(barrels per day)							
Edmonton (from Redwater) - - - - -	2,330	5,761	7,309	26,516	34,240	26,161	23,842
Prairie take-offs - - - - -	40,449	48,229	55,827	56,051	59,749	66,007	68,628
Clearbrook for St. Paul - - - - -	—	—	—	—	7,390	26,448	37,154
Refineries at Wrenshall and Superior - - - - -	1,027	3,023	6,988	4,562	7,049	15,191	14,819
Superior for tankers - - - - -	38,654	55,597	61,802	10,184	19,298	15,469	11,285
Michigan refineries - - - - -	—	—	—	—	—	4,449	4,642
Sarnia - - - - -	—	—	—	85,818	93,008	110,597	103,623
Clarkson and Port Credit - - - - -	—	—	—	—	—	—	9,697
	<u>82,460</u>	<u>112,610</u>	<u>131,926</u>	<u>183,131</u>	<u>220,734</u>	<u>264,322</u>	<u>273,690</u>
Barrel Miles (millions) - - - - -	24,258	33,652	38,398	69,946	81,041	100,486	94,994
FINANCIAL:							
				(\$000)			
Investment In Fixed Assets - - - - -	\$80,168	\$92,466	\$173,578	\$223,936	\$226,561	\$234,561	\$256,966
Less—Accumulated depreciation - - - - -	2,136	4,661	7,584	13,053	19,775	26,877	34,393
	<u>\$78,032</u>	<u>\$87,805</u>	<u>\$165,994</u>	<u>\$210,883</u>	<u>\$206,786</u>	<u>\$207,684</u>	<u>\$222,573</u>
Working capital - - - - -	\$18,679	\$10,148	\$ 17,971	\$ 7,418	\$ 14,296	\$ 15,780	\$ 1,329
Income:							
Operating revenue - - - - -	\$14,126	\$18,903	\$ 18,437	\$ 28,972	\$ 33,966	\$ 41,808	\$ 41,129
Other income - - - - -	330	291	508	610	436	761	801
	<u>\$14,456</u>	<u>\$19,194</u>	<u>\$ 18,945</u>	<u>\$ 29,582</u>	<u>\$ 34,402</u>	<u>\$ 42,569</u>	<u>\$ 41,930</u>
Charges:							
Operating expense - - - - -	\$ 2,448	\$ 4,323	\$ 4,846	\$ 6,122	\$ 5,937	\$ 6,838	\$ 7,082
Taxes, other than income taxes - - - - -	516	632	746	1,375	1,866	1,971	2,158
Provision for depreciation - - - - -	1,740	2,536	2,946	5,648	6,919	7,407	7,814
Interest on long-term debts - - - - -	2,812	2,716	2,546	4,836	5,711	5,569	5,316
Loss on sale of storage tanks at Superior - - - - -	—	—	—	—	—	960	—
	<u>\$ 7,516</u>	<u>\$10,207</u>	<u>\$ 11,084</u>	<u>\$ 17,981</u>	<u>\$ 20,433</u>	<u>\$ 22,745</u>	<u>\$ 22,370</u>
Balance before income taxes - - - - -	\$ 6,940	\$ 8,987	\$ 7,861	\$ 11,601	\$ 13,969	\$ 19,824	\$ 19,560
Provision for taxes on income—normal - - - - -	3,587	4,879	3,427	5,550	6,938	9,650	9,596
disputed - - - - -	—	—	—	—	500	454	419
	<u>\$ 3,587</u>	<u>\$ 4,879</u>	<u>\$ 3,427</u>	<u>\$ 5,550</u>	<u>\$ 7,438</u>	<u>\$ 10,104</u>	<u>\$ 10,015</u>
Net income for year - - - - -	\$ 3,353	\$ 4,108	\$ 4,434	\$ 6,051	\$ 6,531	\$ 9,720	\$ 9,545
Add—Retained Earnings at beginning of year - - - - -	107	3,460	6,591	10,269	14,052	15,626	19,798
Deduct—Dividends paid - - - - -	—	977	756	2,268	3,528	5,548	7,075
Appropriation for prior years' disputed income taxes - - - - -	—	—	—	—	1,100	—	—
Organization and capital stock issue costs written off - - - - -	—	—	—	—	329	—	—
Retained Earnings at end of year - - - - -	<u>\$ 3,460</u>	<u>\$ 6,591</u>	<u>\$ 10,269</u>	<u>\$ 14,052</u>	<u>\$ 15,626</u>	<u>\$ 19,798</u>	<u>\$ 22,268</u>

B.T.C. No. 12

Cancels B.T.C. No. 11

INTERPROVINCIAL PIPE LINE COMPANY

TARIFF APPLYING ON CRUDE PETROLEUM

RULES AND REGULATIONS

Governing the

TRANSPORTATION

of

CRUDE PETROLEUM

by

PIPE LINE

GENERAL APPLICATION

The rules and regulations published herein apply only under tariffs making specific reference by B.T.C. number to this tariff; such reference will include supplements hereto and successive issues hereof. Specific rules and regulations published in individual tariffs will take precedence over rules and regulations published herein.

▲Changes in wording which result in neither increases nor reductions in rates.

EFFECTIVE JULY 1, 1957

ISSUED BY

T. S. JOHNSTON

President, Interprovincial Pipe Line Company

10049 Jasper Avenue

Edmonton, Alberta, Canada

RULES AND REGULATIONS

1. DEFINITIONS

As used in this tariff, the following terms have the following meanings:

"Crude petroleum" means the direct product of oil wells or a mixture of the direct product of oil wells and the indirect petroleum products resulting either from refining crude petroleum or from the operation of gasoline recovery plants, gas recycling plants or distillate recovery equipment in gas and distillate fields.

"Barrel" means forty-two (42) United States gallons, 34.972 Imperial gallons at a temperature of sixty (60) degrees Fahrenheit.

▲"Carrier" means Interprovincial Pipe Line Company and any other pipe line company which is a party to a joint tariff incorporating these regulations by specific reference.

"B.T.C." means Board of Transport Commissioners of Canada.

"A.P.I." means American Petroleum Institute.

"Tender" means an offer by a shipper to the Carrier of a stated quantity of crude petroleum for transportation from a specified reception point or points to a specified delivery point or points in accordance with these rules and regulations.

▲"Regular Delivery Point" as used herein means each of the following: Minnesota Pipe Line Company's terminalling delivery points at St. Paul Park and Pine Bend, Minnesota; Lakehead Pipe Line Company's marine terminal at Superior, Wisconsin; Interprovincial Pipe Line Company's terminalling delivery points at Clarkson and Port Credit, Ontario; all intermediate operating pumping stations of Interprovincial Pipe Line Company and Lakehead Pipe Line Company, Inc., between Redwater, Alberta, Canada and Port Credit, Ontario, Canada.

2. COMMODITY

The Carrier is engaged in the transportation of crude petroleum by pipe line and will not accept any other commodity for transportation.

3. DESTINATION FACILITIES

(a) Crude petroleum will be accepted for transportation only at established receiving points and when consigned to the shipper or consignee at one or more regular delivery points.

(b) Notwithstanding the provisions of subsection (a) above, the Carrier will, where practicable, deliver common stock crude petroleum at other than regular delivery points, provided that not less than 50% of the particular batch of the common stream crude petroleum currently being transported in the section of the pipe line adjacent to the proposed takeoff point is consigned to one or more delivery points further downstream on the line.

(c) Crude petroleum will be accepted for transportation only when the shipper or consignee has provided the necessary tankage and other facilities satisfactory to the Carrier at the named delivery point for handling the crude petroleum at the rate of flow at which the Company is then operating its pipe line at such delivery point.

4. SPECIFICATIONS AS TO QUALITY

No crude petroleum will be accepted for transportation that has a Reid vapor pressure in excess of ten pounds at one hundred degrees Fahrenheit or that has basic sediment, water or other impurities in excess of one-half of one percent as determined by the centrifugal test or by other tests as

may be agreed upon by the shipper and Carrier.

No crude petroleum will be accepted unless its gravity, viscosity and other characteristics are such that it will be readily susceptible of transportation through the Carrier's existing facilities and which will not materially affect the quality of other shipments or cause disadvantage to other shippers and/or the Carrier.

5. SEGREGATION AND CHANGES IN QUALITY

(a) Crude petroleum tendered for transportation will be received by the Carrier only on the condition that it shall be subject to such changes in gravity or quality while in transit as may result from the transportation thereof, or the mixture of said crude petroleum with other crude

petroleum in the pipe lines or tanks of the Carrier.

(b) The Carrier shall be under no obligation to make delivery of the identical crude petroleum received, and
(i) in the case of any stream, other than a mixed stream, shall make delivery out of its common stock of that stream, and

(ii) in the case of a mixed stream, shall make delivery out of its common stock of that stream. Any revaluations deemed appropriate by reason of difference in grade and/or quality that occur, by reason of the mixing, between receipt of the component parts and delivery of the stream, shall be between and for the account of the shipper and consignee. The Carrier shall have no responsibility in or for such revaluations or settlements other than to furnish data on the quality and gravity of the crude petroleum received into and delivered out of the mixed stream.

RULES AND REGULATIONS

(c) Notwithstanding the provisions of sub-section (a) and (b) of this section, if the crude petroleum tendered is of a kind or quality not being currently transported through Carrier's facilities, Carrier will at the request of the shipper and to the extent permitted by its existing facilities, endeavor to segregate such crude petroleum during transportation and to make delivery of substantially the same crude petroleum at destination; provided that in such instances Carrier may require the shipper to make such crude petroleum available in such quantities and at such times as may be necessary to permit such segregated movement; and provided further that Carrier shall not be liable for failure to deliver the identical crude petroleum or for any variations in quality while in its custody.

6. TENDERS AND QUANTITIES

Shippers desiring to tender crude petroleum for transportation shall make such tender to the initial Carrier by submitting, on the Carrier's prescribed Notice of Shipment form, a separate tender for each calendar month on or before the 25th day of the preceding month.

A tender will be accepted only when the total quantity covered thereby will be made available for transportation within said calendar month at a daily rate, or in quantities and at times, to be specified by the Carrier. Except as hereunder provided, the Carrier will not specify a daily rate or a quantity of less than 5,000 barrels.

If space is available and operating conditions permit the Carrier may, at its discretion, accept tenders after the 25th of the month and take delivery of crude petroleum in lots of less than 5,000 barrels. However in no event will the Carrier undertake to make a single delivery of less than 5,000 barrels. A single delivery is a delivery in one continuous operation into a single facility to which the Carrier is connected.

7. GAUGING, TESTING AND DEDUCTIONS

Prior to acceptance of crude petroleum tendered by a shipper, or release thereof for delivery to a consignee, it shall be gauged and tested by a representative of the Carrier. At the option of the Carrier the crude petroleum may be measured by metering rather than gauging. The results

of such gauging or metering and testing shall be final. If tank gauges are used, quantities shall be computed from correctly compiled tank tables on a one hundred percent volume basis. The shipper or consignee may be present or represented at such gauging or metering and testing. A representative of the Carrier shall have the right to enter upon the premises where such crude petroleum is received or delivered and have access to any and all tanks, storage receptacles or meters for the purpose of such gauging or metering and testing and to make any examination, inspection, measurement or test authorized by these regulations.

Crude petroleum of required specification will be received and delivered with volume corrected as to temperature from observed degrees Fahrenheit to sixty degrees Fahrenheit. A centrifuge machine or other methods agreed upon shall be used for ascertaining the percentage of basic sediment, water or other impurities in the crude petroleum and the full amount of basic sediment, water, and other impurities shall be deducted from the corrected volume. A further deduction will be made by the Carrier to cover losses inherent in the transportation of crude petroleum by pipe line. For the movement of crude petroleum from Redwater and Excelsior to Edmonton this deduction will be ONE-HALF PERCENT. For all other movements the deduction will be ONE PERCENT. The net balance at sixty degrees Fahrenheit will be the quantity deliverable by Carrier and transportation charges will be assessed in accordance therewith.

8. EVIDENCE OF RECEIPTS AND DELIVERIES

Crude petroleum received from the shipper and delivered to the consignee shall, in each instance, be evidenced by tickets, showing quantity received or delivered as case may be, temperature, basic sediment and water, and any other data essential to the determination of quantity.

Such tickets shall be jointly signed by representatives of Carrier and the shipper or consignee, as appropriate, and shall constitute full receipt for the crude petroleum received or delivered.

9. DELIVERY AND DEMURRAGE

The Carrier will transport crude petroleum with reasonable diligence and dispatch and shipper or consignee shall upon twenty-four (24) hours' notice accept and remove its shipment from delivery facilities of the Carrier.

If shipment is not being removed in a reasonable manner after expiration of the twenty-four hours' notice from Carrier, then a demurrage charge of four-tenths of one cent (0.4¢) per barrel per day of twenty-four hours shall accrue on all crude petroleum not removed.

10. PAYMENT OF TARIFF CHARGES AND LIEN FOR UNPAID CHARGES

The shipper or consignee shall pay all applicable transportation and other lawful charges accruing on crude petroleum delivered to and accepted by Carrier for shipment, and, if required, shall pay the same before delivery at destination. Carrier shall have a lien on all crude petroleum in its possession belonging to shipper or consignee to secure

the payment of any and all unpaid transportation or other lawful charges that are due Carrier, that are unpaid by shipper or consignee, and may withhold such crude petroleum from delivery until all unpaid charges shall

RULES AND REGULATIONS

have been paid. If said charges remain unpaid ten (10) days after notice and demand therefor, the Carrier shall have the right, through an agent, to sell such crude petroleum at public auction, at the office of Interprovincial Pipe Line Company in Edmonton, Alberta, Canada, on any day not a legal holiday, on and not less than forty-eight (48) hours after publication of notice of such sale in a daily newspaper of general circulation published in said city, stating the time, place of sale, and the quantity and location of crude petroleum to be sold. At said sale Carrier shall have the right to bid and, if the highest bidder, to become the purchaser. From the proceeds of said sale Carrier will pay itself the transportation and all other lawful charges, including reasonable storage charges pending sale and expenses incident to said sale, and the balance remaining, if any, shall be held for whomsoever may be lawfully entitled thereto.

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|---|--|
| 11. APPORTIONMENT WHEN CURRENT OFFERINGS ARE IN EXCESS OF FACILITIES | When pursuant to tenders hereunder there shall be offered to Carrier more crude petroleum than can be immediately transported, the transportation shall be apportioned among all shippers in proportion to the rate at which deliveries are currently offered to Carrier under tenders then in effect. |
| 12. APPLICATION OF RATES | Crude petroleum accepted for transportation shall be subject to the rates in effect on the date of receipt of such crude petroleum by the originating Carrier, irrespective of the date of the tender. |
| 13. DIVERSION AND RECONSIGNMENT | Diversion or reconsignment may be made without charge if requested in writing by the shipper prior to delivery at original destination, subject to the rates, rules and regulations applicable from original reception point to final delivery point, upon condition that no out-of-line or backhaul movement will be made. |
| 14. CRUDE PETROLEUM INVOLVED IN LITIGATION AND LEGALITY OF SHIPMENT | Crude petroleum which is in any way involved in litigation, or the ownership of which may be in dispute, or which is encumbered by a lien or charge of any kind, will not be accepted for shipment, unless and until the shipper or consignee shall furnish a bond or other form of indemnity satisfactory to Carrier, protecting it against any liability or loss arising as a result of such litigation, dispute, lien or charge. |
| 15. LIABILITY OF CARRIER | <p>No Carrier in possession of any of the crude petroleum herein described shall be liable for any loss thereof, damage thereto or delay caused by fire, storm, flood, epidemics, Acts of God, riots, insurrection, rebellion, sabotage, strikes, labour disturbances, shortage of labour or breakdown of transportation or storage facilities, war, or the acts of the Queen's enemies or the public enemies of the United States, or from quarantine, or authority of law or from any order, requisition, interest or necessity of the Governments of Canada or the United States, default of the owner, shipper or consignee, or from any cause whatsoever, whether enumerated herein or not, except its own direct negligence.</p> <p>In case of the loss of crude petroleum while in the custody of the Carrier from any such causes, other than the direct negligence of the Carrier, each shipper shall participate in such loss in such proportion as the amount of his crude petroleum, already delivered to Carrier for shipment past the point at which the loss occurs, bears to all the crude petroleum then in the custody of the Carrier received for shipment past the said point; provided, however, that if such loss occurs at a tank or tanks, and it is possible to ascertain the ownership of the crude petroleum in such tank or tanks, the full loss shall be charged against the shipper or proportionately among the shippers using such tank or tanks at the time of such loss. In either such event each shipper shall be entitled to have delivered only that portion of his shipment as may remain after deduction of his proportion of such loss, and he will be required to pay charges only upon the quantity of crude petroleum delivered.</p> |
| 16. CLAIMS, SUITS AND TIME FOR FILING | <p>As a condition precedent to recovery, claims for loss, damage or delay in connection with the shipment of crude petroleum tendered for shipment under the terms of this tariff must be filed in writing with the initial or delivering Carrier within one month after delivery of the crude petroleum, or, in the case of failure to make delivery, then within one month after a reasonable time for delivery has elapsed; and suits arising out of such claims must be instituted against the Carrier within six (6) months from the day when notice in writing is given by the Carrier to the claimant that the Carrier has disallowed the claim or any part or parts thereof specified in the notice. In causing crude petroleum to be transported under this tariff, the shipper and consignee agree to be bound by provisions of this clause and waive any rights which they or either of them might otherwise have, at common law or otherwise, to make a claim after the expiration of the said period of thirty (30) days or to bring an action after the expiration of the said period of six (6) months.</p> |

INTERPROVINCIAL PIPE LINE COMPANY

TARIFF APPLYING ON CRUDE PETROLEUM

From
POINTS IN PROVINCES OF ALBERTA, SASKATCHEWAN, AND MANITOBA, CANADA
to
POINTS IN PROVINCES OF ALBERTA, SASKATCHEWAN, AND
MANITOBA, CANADA

The rates named in this tariff are for the trunk line transportation of crude petroleum by pipe line subject to the Rules and Regulations published in Interprovincial Pipe Line Company's Tariff B.T.C. No. 12 supplements thereto and reissues thereof, all of which are specifically incorporated herein.

LIST OF RATES IN CENTS (CANADIAN CURRENCY) PER BARREL FOR LIGHT* CRUDE PETROLEUM

(*Having an A.P.I. Gravity in Excess of 30° at 60° Fahrenheit)

FROM	TO					
	Edmonton Station Alberta, Canada	Milden Junction Sask., Canada	Moose Jaw Junction Sask., Canada	Regina Station Sask., Canada	Souris Junction Manitoba, Canada	Gretna Station Manitoba, Canada
Redwater Station I, or Redwater Station II, or Excelsior Station, Alberta, Canada	2	18½	23½	25½	34	38
Edmonton Station, Alberta, Canada	..	16½	21½	23½	32	36
Hardisty Station, Alberta, Canada	..	12	18	20	28	32
Kerrobert Station, Saskatchewan, Canada	..	8	12	16	24	28
Regina Station, Saskatchewan, Canada	16	20
Cromer Station, Manitoba, Canada	8	12

RATES FOR MEDIUM CRUDE PETROLEUM — Crude petroleum having an A.P.I. gravity from 25° to 30° inclusive at 60° Fahrenheit will be accepted for transportation subject to the provisions of Rule 4 of B.T.C. Tariff No. 12 at the above rates plus 10%.

BATCHING CHARGE — When crude petroleum is accepted by the Carrier at receiving points east of Edmonton for shipment as a separate stream under the provisions of Rule 5 (c) of Tariff B.T.C. No. 12 such shipment will be subject to an additional charge of 1¢ Canadian currency per barrel.

Shipments transported under this tariff are entitled to such privileges and subject to such charges as are or shall be published by this Company, and such as are lawfully in effect on date of shipment, and lawfully on file or deposited with the Board of Transport Commissioners for Canada providing for reconsignment, storage, transit privileges, or any other privileges, charges or rules which in any way increase or decrease the amount to be paid on any shipment transported under this tariff, or which increase or decrease the value of the service to the shipper.

EFFECTIVE JULY 1, 1957

ISSUED BY

T. S. JOHNSTON

President, Interprovincial Pipe Line Company

10049 Jasper Avenue

Edmonton, Alberta, Canada

INTERPROVINCIAL PIPE LINE COMPANY

in connection with
LAKEHEAD PIPE LINE COMPANY, INC.

JOINT TARIFF APPLYING ON CRUDE PETROLEUM

From
POINTS IN PROVINCES OF ALBERTA, SASKATCHEWAN, AND MANITOBA, CANADA
to
POINTS IN ONTARIO, CANADA

The rates named in this tariff are for the trunk line transportation of crude petroleum by pipe line subject to the Rules and Regulations published in Interprovincial Pipe Line Company's Tariff B.T.C. No. 12 supplements thereto and reissues thereof, all of which are specifically incorporated herein.

The rates per barrel, the additive in the case of medium crude petroleum and the Batching Charge, all of which are set out below, shall be payable as follows:

47% in Canadian currency.

53% in United States currency or its equivalent in Canadian currency.

LIST OF RATES IN CENTS PER BARREL FOR LIGHT* CRUDE PETROLEUM

(*Having an A.P.I. Gravity in Excess of 30° at 60° Fahrenheit)

F R O M	T O	
	Sarnia, Ontario, Canada	Clarkson or Port Credit, Ontario, Canada
Redwater Station I, or Redwater Station II, or Excelsior Station, Alberta, Canada	66	74
Edmonton Station, Alberta, Canada	64	72
Hardisty Station, Alberta, Canada	61	69
Kerrobert Station, Saskatchewan, Canada	58	66
Regina Station, Saskatchewan, Canada	52	60
Cromer Station, Manitoba, Canada	48	56

RATES FOR MEDIUM CRUDE PETROLEUM — Crude petroleum having an A.P.I. gravity from 25° to 30° inclusive at 60° Fahrenheit will be accepted for transportation subject to the provisions of Rule 4 of B.T.C. Tariff No. 12 at the above rates plus 10%.

BATCHING CHARGE — When crude petroleum is accepted by the Carrier at receiving points east of Edmonton for shipment as a separate stream under the provisions of Rule 5 (c) of B.T.C. Tariff No. 12 such shipment will be subject to an additional charge of 1¢ per barrel.

Shipments transported under this tariff are entitled to such privileges and subject to such charges as are or shall be published by this Company, and such as are lawfully in effect on date of shipment, and lawfully on file or deposited with the Board of Transport Commissioners for Canada providing for reconsignment, storage, transit privileges, or any other privileges, charges or rules which in any way increase or decrease the amount to be paid on any shipment transported under this tariff, or which increase or decrease the value of the service to the shipper.

EFFECTIVE JULY 1, 1957

ISSUED BY

T. S. JOHNSTON

President, Interprovincial Pipe Line Company

10049 Jasper Avenue

Edmonton, Alberta, Canada

No supplement to this tariff will be issued except for the purpose of cancelling the tariff unless otherwise specifically authorized by the Commission.

I.C.C. No. 16

Cancels I.C.C. No. 9

INTERPROVINCIAL PIPE LINE COMPANY

in connection with

LAKEHEAD PIPE LINE COMPANY, INC. (FX3 No. 1)

and

MINNESOTA PIPE LINE COMPANY (FX3 No. 1)

and

MICHIGAN-OHIO PIPE LINE CORPORATION (FX3 No. 15)

JOINT TARIFF APPLYING ON CRUDE PETROLEUM

RULES AND REGULATIONS

Governing the

TRANSPORTATION

of

CRUDE PETROLEUM

by

PIPE LINE

GENERAL APPLICATION

The rules and regulations published herein apply only under tariffs making specific reference by I.C.C. number to this tariff; such reference will include supplements hereto and successive issues hereof. Specific rules and regulations published in individual tariffs will take precedence over rules and regulations published herein.

▲Changes in wording which result in neither increases nor reductions in rates.

ISSUED MAY 31, 1957

EFFECTIVE JULY 1, 1957

ISSUED BY

T. S. JOHNSTON

President, Interprovincial Pipe Line Company

10049 Jasper Avenue

Edmonton, Alberta, Canada

RULES AND REGULATIONS

1. DEFINITIONS

As used in this tariff, the following terms have the following meanings:

"Crude petroleum" means the direct product of oil wells or a mixture of the direct product of oil wells and the indirect petroleum products

resulting either from refining crude petroleum or from the operation of gasoline recovery plants, gas recycling plants or distillate recovery equipment in gas and distillate fields.

"Barrel" means forty-two (42) United States gallons, 34.972 Imperial gallons at a temperature of sixty (60) degrees Fahrenheit.

▲"Carrier" means Interprovincial Pipe Line Company and any other pipe line company which is a party to a joint tariff incorporating these regulations by specific reference.

"I.C.C." means Interstate Commerce Commission of the United States.

"A.P.I." means American Petroleum Institute.

"R.M." means Rural Municipality.

"M.D." means Municipal District.

"Tender" means an offer by a shipper to the Carrier of a stated quantity of crude petroleum for transportation from a specified reception point or points to a specified delivery point or points in accordance with these rules and regulations.

▲"Regular Delivery Point" as used herein means each of the following: Minnesota Pipe Line Company's terminalling delivery points at St. Paul Park and Pine Bend, Minnesota; Lakehead Pipe Line Company's marine terminal at Superior, Wisconsin; Interprovincial Pipe Line Company's terminalling delivery points at Clarkson and Port Credit, Ontario; all intermediate operating pumping stations of Interprovincial Pipe Line Company and Lakehead Pipe Line Company, Inc., between Redwater, Alberta, Canada and Port Credit, Ontario, Canada.

2. COMMODITY

The Carrier is engaged in the transportation of crude petroleum by pipe line and will not accept any other commodity for transportation.

3. DESTINATION FACILITIES

(a) Crude petroleum will be accepted for transportation only at established receiving points and when consigned to the shipper or consignee at one or more regular delivery points.

(b) Notwithstanding the provisions of subsection (a) above, the Carrier will, where practicable, deliver common stock crude petroleum at other than regular delivery points, provided that not less than 50% of the particular batch of the common stream crude petroleum currently being transported in the section of the pipe line adjacent to the proposed takeoff point is consigned to one or more delivery points further downstream on the line.

(c) Crude petroleum will be accepted for transportation only when the shipper or consignee has provided the necessary tankage and other facilities satisfactory to the Carrier at the named delivery point for handling the crude petroleum at the rate of flow at which the Company is then operating its pipe line at such delivery point.

4. SPECIFICATIONS AS TO QUALITY

No crude petroleum will be accepted for transportation that has a Reid vapor pressure in excess of ten pounds at one hundred degrees Fahrenheit or that has basic sediment, water or other impurities in excess of one-half of one percent as determined by the centrifugal test or by other tests as

may be agreed upon by the shipper and Carrier.

No crude petroleum will be accepted unless its gravity, viscosity and other characteristics are such that it will be readily susceptible of transportation through the Carrier's existing facilities and which will not materially affect the quality of other shipments or cause disadvantage to other shippers and/or the Carrier.

5. SEGREGATION AND CHANGES IN QUALITY

(a) Crude petroleum tendered for transportation will be received by the Carrier only on the condition that it shall be subject to such changes in gravity or quality while in transit as may result from the transportation thereof, or the mixture of said crude petroleum with other crude

petroleum in the pipe lines or tanks of the Carrier.

(b) The Carrier shall be under no obligation to make delivery of the identical crude petroleum received, and
(i) in the case of any stream, other than a mixed stream, shall make delivery out of its common stock of that stream, and

(ii) in the case of a mixed stream, shall make delivery out of its common stock of that stream. Any revaluations deemed appropriate by reason of difference in grade and/or quality that occur, by reason of the mixing, between receipt of the component parts and delivery of the stream, shall be between and for the account of the shipper and consignee. The Carrier shall have no responsibility in or for such revaluations or settlements other than to furnish data on the quality and gravity of the crude petroleum received into and delivered out of the mixed stream.

RULES AND REGULATIONS

(c) Notwithstanding the provisions of sub-section (a) and (b) of this section, if the crude petroleum tendered is of a kind or quality not being currently transported through Carrier's facilities, Carrier will at the request of the shipper and to the extent permitted by its existing facilities, endeavor to segregate such crude petroleum during transportation and to make delivery of substantially the same crude petroleum at destination; provided that in such instances Carrier may require the shipper to make such crude petroleum available in such quantities and at such times as may be necessary to permit such segregated movement; and provided further that Carrier shall not be liable for failure to deliver the identical crude petroleum or for any variations in quality while in its custody.

6. TENDERS AND QUANTITIES

Shippers desiring to tender crude petroleum for transportation shall make such tender to the initial Carrier by submitting, on the Carrier's prescribed Notice of Shipment form, a separate tender for each calendar month on or before the 25th day of the preceding month.

A tender will be accepted only when the total quantity covered thereby will be made available for transportation within said calendar month at a daily rate, or in quantities and at times, to be specified by the Carrier. Except as hereunder provided, the Carrier will not specify a daily rate or a quantity of less than 5,000 barrels.

If space is available and operating conditions permit the Carrier may, at its discretion, accept tenders after the 25th of the month and take delivery of crude petroleum in lots of less than 5,000 barrels. However in no event will the Carrier undertake to make a single delivery of less than 5,000 barrels. A single delivery is a delivery in one continuous operation into a single facility to which the Carrier is connected.

7. GAUGING, TESTING AND DEDUCTIONS

Prior to acceptance of crude petroleum tendered by a shipper, or release thereof for delivery to a consignee, it shall be gauged and tested by a representative of the Carrier. At the option of the Carrier the crude petroleum may be measured by metering rather than gauging. The results

of such gauging or metering and testing shall be final. If tank gauges are used, quantities shall be computed from correctly compiled tank tables on a one hundred percent volume basis. The shipper or consignee may be present or represented at such gauging or metering and testing. A representative of the Carrier shall have the right to enter upon the premises where such crude petroleum is received or delivered and have access to any and all tanks, storage receptacles or meters for the purpose of such gauging or metering and testing and to make any examination, inspection, measurement or test authorized by these regulations.

Crude petroleum of required specification will be received and delivered with volume corrected as to temperature from observed degrees Fahrenheit to sixty degrees Fahrenheit. A centrifuge machine or other methods agreed upon shall be used for ascertaining the percentage of basic sediment, water or other impurities in the crude petroleum and the full amount of basic sediment, water, and other impurities shall be deducted from the corrected volume. A further deduction of ONE PERCENT will be made by the Carrier to cover losses inherent in the transportation of crude petroleum by pipe line. The net balance at sixty degrees Fahrenheit will be the quantity deliverable by Carrier and transportation charges will be assessed in accordance therewith.

8. EVIDENCE OF RECEIPTS AND DELIVERIES

Crude petroleum received from the shipper and delivered to the consignee shall, in each instance, be evidenced by tickets, showing quantity received or delivered as case may be, temperature, basic sediment and water, and any other data essential to the determination of quantity.

Such tickets shall be jointly signed by representatives of Carrier and the shipper or consignee, as appropriate, and shall constitute full receipt for the crude petroleum received or delivered.

9. DELIVERY AND DEMURRAGE

The Carrier will transport crude petroleum with reasonable diligence and dispatch and shipper or consignee shall upon twenty-four (24) hours' notice accept and remove its shipment from delivery facilities of the Carrier.

If shipment is not being removed in a reasonable manner after expiration of the twenty-four hours' notice from Carrier, then a demurrage charge of four-tenths of one cent (0.4¢) per barrel per day of twenty-four hours shall accrue on all crude petroleum not removed.

10. PAYMENT OF TARIFF CHARGES AND LIEN FOR UNPAID CHARGES

The shipper or consignee shall pay all applicable transportation and other lawful charges accruing on crude petroleum delivered to and accepted by Carrier for shipment, and, if required, shall pay the same before delivery at destination. Carrier shall have a lien on all crude petroleum in its possession belonging to shipper or consignee to secure

the payment of any and all unpaid transportation or other lawful charges that are due Carrier, that are unpaid by shipper or consignee, and may withhold such crude petroleum from delivery until all unpaid charges shall

RULES AND REGULATIONS

have been paid. If said charges remain unpaid ten (10) days after notice and demand therefor, the Carrier shall have the right, through an agent, to sell such crude petroleum at public auction, at the office of Interprovincial Pipe Line Company in Edmonton, Alberta, Canada, on any day not a legal holiday, on and not less than forty-eight (48) hours after publication of notice of such sale in a daily newspaper of general circulation published in said city, stating the time, place of sale, and the quantity and location of crude petroleum to be sold. At said sale Carrier shall have the right to bid and, if the highest bidder, to become the purchaser. From the proceeds of said sale Carrier will pay itself the transportation and all other lawful charges, including reasonable storage charges pending sale and expenses incident to said sale, and the balance remaining, if any, shall be held for whomsoever may be lawfully entitled thereto.

11. APPORTIONMENT WHEN CURRENT OFFERINGS ARE IN EXCESS OF FACILITIES

When pursuant to tenders hereunder there shall be offered to Carrier more crude petroleum than can be immediately transported, the transportation shall be apportioned among all shippers in proportion to the rate at which deliveries are currently offered to Carrier under tenders then in effect.

12. APPLICATION OF RATES

Crude petroleum accepted for transportation shall be subject to the rates in effect on the date of receipt of such crude petroleum by the originating Carrier, irrespective of the date of the tender.

13. DIVERSION AND RECONSIGNMENT

Diversion or reconsignment may be made without charge if requested in writing by the shipper prior to delivery at original destination, subject to the rates, rules and regulations applicable from original reception point to final delivery point, upon condition that no out-of-line or backhaul movement will be made.

14. CRUDE PETROLEUM INVOLVED IN LITIGATION AND LEGALITY OF SHIPMENT

Crude petroleum which is in any way involved in litigation, or the ownership of which may be in dispute, or which is encumbered by a lien or charge of any kind, will not be accepted for shipment, unless and until the shipper or consignee shall furnish a bond or other form of indemnity satisfactory to Carrier, protecting it against any liability or loss arising as a result of such litigation, dispute, lien or charge.

15. LIABILITY OF CARRIER

No Carrier in possession of any of the crude petroleum herein described shall be liable for any loss thereof, damage thereto or delay caused by fire, storm, flood, epidemics, Acts of God, riots, insurrection, rebellion, sabotage, strikes, labour disturbances, shortage of labour or breakdown of transportation or storage facilities, war, or the acts of the Queen's enemies or the public enemies of the United States, or from quarantine, or authority of law or from any order, requisition, interest or necessity of the Governments of Canada or the United States, default of the owner, shipper or consignee, or from any cause whatsoever, whether enumerated herein or not, except its own direct negligence.

In case of the loss of crude petroleum while in the custody of the Carrier from any such causes, other than the direct negligence of the Carrier, each shipper shall participate in such loss in such proportion as the amount of his crude petroleum, already delivered to Carrier for shipment past the point at which the loss occurs, bears to all the crude petroleum then in the custody of the Carrier received for shipment past the said point; provided, however, that if such loss occurs at a tank or tanks, and it is possible to ascertain the ownership of the crude petroleum in such tank or tanks, the full loss shall be charged against the shipper or proportionately among the shippers using such tank or tanks at the time of such loss. In either such event each shipper shall be entitled to have delivered only that portion of his shipment as may remain after deduction of his proportion of such loss, and he will be required to pay charges only upon the quantity of crude petroleum delivered.

16. CLAIMS, SUITS AND TIME FOR FILING

As a condition precedent to recovery, claims for loss, damage or delay in connection with the shipment of crude petroleum tendered for shipment under the terms of this tariff must be filed in writing with the initial or delivering Carrier within one month after delivery of the crude petroleum, or, in the case of failure to make delivery, then within one month after a reasonable time for delivery has elapsed; and suits arising out of such claims must be instituted against the Carrier within six (6) months from the day when notice in writing is given by the Carrier to the claimant that the Carrier has disallowed the claim or any part or parts thereof specified in the notice. In causing crude petroleum to be transported under this tariff, the shipper and consignee agree to be bound by provisions of this clause and waive any rights which they or either of them might otherwise have, at common law or otherwise, to make a claim after the expiration of the said period of thirty (30) days or to bring an action after the expiration of the said period of six (6) months.

No supplement to this tariff will be issued except for the purpose of cancelling the tariff unless otherwise specifically authorized by the Commission.

I.C.C. No. 17

Cancels I.C.C. No. 13

INTERPROVINCIAL PIPE LINE COMPANY

in connection with

LAKEHEAD PIPE LINE COMPANY, INC. (FX3 No. 1)

JOINT TARIFF APPLYING ON CRUDE PETROLEUM

From

POINTS IN PROVINCES OF ALBERTA, SASKATCHEWAN, AND MANITOBA, CANADA
to

POINTS IN MINNESOTA, WISCONSIN, AND MICHIGAN, U.S.A.

▲The rates named in this tariff are for the trunk line transportation of crude petroleum by pipe line subject to the Rules and Regulations published in Interprovincial Pipe Line Company's Tariff I.C.C. No. 16 supplements thereto and reissues thereof, all of which are specifically incorporated herein.

■The rates per barrel, the additive in the case of medium crude petroleum and the Batching Charge, all of which are set out below, shall be payable as follows:

53% in United States currency.

47% in Canadian currency or its equivalent in United States currency.

LIST OF RATES IN CENTS PER BARREL FOR LIGHT* CRUDE PETROLEUM

(*Having an A.P.I. Gravity in Excess of 30° at 60° Fahrenheit)

F R O M	T O			
	Wrenshall (Carlton County) Minnesota, U.S.A. or Superior Terminal (Douglas County) Wisconsin, U.S.A.	West Branch (Ogemaw County) Michigan, U.S.A.	Bay City (Bay County) Michigan, U.S.A.	Port Huron (St. Clair County) Michigan, U.S.A.
Redwater Station I (M.D. of Sturgeon 90), or				
Redwater Station II (Town of Redwater), or				
Excelsior Station (M.D. of Sturgeon 90), Alberta, Canada	46	61½	63	66
Edmonton Station (M.D. Strathcona 83), Alberta, Canada	44	59½	61	64
■Hardisty Station (M.D. Provost), Alberta, Canada	41	56½	58	61
Kerrobert Station (R.M. of Oakdale 320), Saskatchewan, Canada	38	53½	55	58
Regina Station (City of Regina), Saskatchewan, Canada	32	47½	49	52
Cromer Station (R.M. of Pipestone 106), Manitoba, Canada	28	43½	45	48

■RATES FOR MEDIUM CRUDE PETROLEUM — Crude petroleum having an A.P.I. gravity from 25° to 30° inclusive at 60° Fahrenheit will be accepted for transportation subject to the provisions of Rule 4 of Tariff I.C.C. No. 16 at the above rates plus 10%.

BATCHING CHARGE — When crude petroleum is accepted by the Carrier at receiving points east of Edmonton for shipment as a separate stream under the provisions of Rule 5 (c) of Tariff I.C.C. No. 16, such shipment will be subject to an additional charge of 1¢ per barrel.

LOADING CHARGE — All crude petroleum required to be loaded aboard vessels at Superior Terminal, Wisconsin, will be subject to an additional charge of 3½¢ United States Currency per barrel.

■Additions.

▲Changes in wording which result in neither increases nor reductions in rates.

Shipments transported under this tariff are entitled to such privileges and subject to such charges as are or shall be published by this Company, or any of the carriers parties to this tariff, and such as are lawfully in effect on date of shipment, and lawfully on file with the Interstate Commerce Commission (U.S.A.) providing for reconsignment, storage, transit privileges, or any other privileges, charges or rules which in any way increase or decrease the amount to be paid on any shipment transported under this tariff, or which increase or decrease the value of the service to the shipper.

ISSUED MAY 31, 1957

EFFECTIVE JULY 1, 1957

ISSUED BY

T. S. JOHNSTON

President, Interprovincial Pipe Line Company

10049 Jasper Avenue

Edmonton, Alberta, Canada

No supplement to this tariff will be issued except for the purpose of cancelling the tariff unless otherwise specifically authorized by the Commission.

I.C.C. No. 18

Cancels I.C.C. No. 14

INTERPROVINCIAL PIPE LINE COMPANY

in connection with
LAKEHEAD PIPE LINE COMPANY, INC. (FX3 No. 1)
and
MINNESOTA PIPE LINE COMPANY (FX3 No. 1)

JOINT TARIFF APPLYING ON LIGHT* CRUDE PETROLEUM

(*Having an A.P.I. Gravity in Excess of 30° at 60° Fahrenheit)

From

POINTS IN PROVINCES OF ALBERTA, SASKATCHEWAN, AND MANITOBA, CANADA

to

POINTS IN MINNESOTA, U.S.A.

▲The rates named in this tariff are for the trunk line transportation of light crude petroleum by pipe line subject to the Rules and Regulations published in Interprovincial Pipe Line Company's Tariff I.C.C. No. 16 supplements thereto and reissues thereof, all of which are specifically incorporated herein.

■The rates per barrel and the Batching Charge set out below shall be payable as follows:

53% in United States currency.

47% in Canadian currency or its equivalent in United States currency.

LIST OF RATES IN CENTS PER BARREL

FROM	TO
	St. Paul Park (Washington County) or Pine Bend (Dakota County) Minnesota, U.S.A.
Redwater Station I (M.D. of Sturgeon 90), or Redwater Station II (Town of Redwater), or Excelsior Station (M.D. of Sturgeon 90) Alberta, Canada	46
Edmonton Station (M.D. Strathcona 83) Alberta, Canada	44
Kerrobert Station (R.M. of Oakdale 320) Saskatchewan, Canada	38
Cromer Station (R.M. of Pipestone 106) Manitoba, Canada	28

Route: Via Interprovincial Pipe Line Company and Lakehead Pipe Line Company, Inc. to Clearbrook, Minnesota and Minnesota Pipe Line Company to destination.

BATCHING CHARGE — When crude petroleum is accepted by the Carrier at receiving points east of Edmonton for shipment as a separate stream under the provisions of Rule 5 (c) of Tariff I.C.C. No. 16, such shipment will be subject to an additional charge of 1¢ per barrel.

■Addition.

▲Changes in wording which result in neither increases nor reductions in rates.

Shipments transported under this tariff are entitled to such privileges and subject to such charges as are or shall be published by this Company, or any of the carriers parties to this tariff, and such as are lawfully in effect on date of shipment, and lawfully on file with the Interstate Commerce Commission (U.S.A.) providing for reconsignment, storage, transit privileges, or any other privileges, charges or rules which in any way increase or decrease the amount to be paid on any shipment transported under this tariff, or which increase or decrease the value of the service to the shipper.

ISSUED MAY 31, 1957

EFFECTIVE JULY 1, 1957

ISSUED BY

T. S. JOHNSTON

President, Interprovincial Pipe Line Company

10049 Jasper Avenue

Edmonton, Alberta, Canada

No supplement to this tariff will be issued except for the purpose of cancelling the tariff unless otherwise specifically authorized by the Commission.

I.C.C. No. 19

Cancels I.C.C. No. 15

INTERPROVINCIAL PIPE LINE COMPANY

in connection with

LAKEHEAD PIPE LINE COMPANY, INC. (FX3 No. 1)

and

MICHIGAN-OHIO PIPE LINE CORPORATION (FX3 No. 15)

JOINT TARIFF APPLYING ON CRUDE PETROLEUM

From

POINTS IN PROVINCES OF ALBERTA, SASKATCHEWAN, AND MANITOBA, CANADA

to

POINTS IN MICHIGAN, U.S.A.

▲The rates named in this tariff are for the trunk line transportation of crude petroleum by pipe line subject to the Rules and Regulations published in Interprovincial Pipe Line Company's Tariff I.C.C. No. 16 supplements thereto and reissues thereof, all of which are specifically incorporated herein.

■The rates per barrel, the additive in the case of medium crude petroleum and the Batching Charge, all of which are set out below, shall be payable as follows:

53% in United States currency.

47% in Canadian currency or its equivalent in United States currency.

LIST OF RATES IN CENTS PER BARREL FOR LIGHT* CRUDE PETROLEUM

(*Having an A.P.I. Gravity in Excess of 30° at 60° Fahrenheit)

FROM	TO
	Alma (Gratiot County) Michigan, U.S.A.
Redwater Station I (M.D. of Sturgeon 90), or Redwater Station II (Town of Redwater), or Excelsior Station (M.D. of Sturgeon 90), Alberta, Canada	73
Edmonton Station (M.D. Strathcona 83), Alberta, Canada	71
■Hardisty Station (M.D. Provost), Alberta, Canada	68
Kerrobert Station (R.M. of Oakdale 320), Saskatchewan, Canada	65
Regina Station (City of Regina), Saskatchewan, Canada	59
Cromer Station (R.M. of Pipestone 106), Manitoba, Canada	55

■RATES FOR MEDIUM CRUDE PETROLEUM — Crude petroleum having an A.P.I. gravity from 25° to 30° inclusive at 60° Fahrenheit will be accepted for transportation subject to the provisions of Rule 4 of Tariff I.C.C. No. 16 at the above rates plus 10%.

Route: Via Interprovincial Pipe Line Company and Lakehead Pipe Line Company, Inc. to Bay City, Michigan and Michigan-Ohio Pipe Line Corporation to destination.

BATCHING CHARGE — When crude petroleum is accepted by the Carrier at receiving points east of Edmonton for shipment as a separate stream under the provisions of Rule 5 (c) of Tariff I.C.C. No. 16, such shipment will be subject to an additional charge of 1¢ per barrel.

■Additions.

▲Changes in wording which result in neither increases nor reductions in rates.

Shipments transported under this tariff are entitled to such privileges and subject to such charges as are or shall be published by this Company, or any of the carriers parties to this tariff, and such as are lawfully in effect on date of shipment, and lawfully on file with the Interstate Commerce Commission (U.S.A.) providing for reconsignment, storage, transit privileges, or any other privileges, charges or rules which in any way increase or decrease the amount to be paid on any shipment transported under this tariff, or which increase or decrease the value of the service to the shipper.

ISSUED MAY 31, 1957

EFFECTIVE JULY 1, 1957

ISSUED BY

T. S. JOHNSTON

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Edmonton, Alberta, Canada

